



COUNCIL CHAMBERS

17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

REDEVELOPMENT AGENCY	COUNCIL MEMBERS
Dennis Kennedy, Chairperson	Dennis Kennedy, Mayor
Steve Tate, Vice-Chairperson	Steve Tate, Mayor Pro Tempore
Larry Carr, Agency Member	Larry Carr, Council Member
Mark Grzan, Agency Member	Mark Grzan, Council Member
Greg Sellers, Agency Member	Greg Sellers, Council Member

WEDNESDAY, JULY 27, 2005

AGENDA

JOINT MEETING

REDEVELOPMENT AGENCY REGULAR MEETING

and

CITY COUNCIL SPECIAL MEETING

7:00 P.M.

A Special City Council Meeting Is Called at 7:00 P.M. for the Purpose of Conducting Closed Sessions and City Business.

Dennis Kennedy, Mayor

CALL TO ORDER

(Chairperson/Mayor Kennedy)

ROLL CALL ATTENDANCE

(Agency Secretary/City Clerk Torrez)

DECLARATION OF POSTING OF AGENDA

Per Government Code 54954.2

(Agency Secretary/City Clerk Torrez)

7:00 P.M.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

CITY COUNCIL SUBCOMMITTEE REPORTS

OTHER REPORTS

PUBLIC COMMENT

NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THIS AGENDA.

(See notice attached to the end of this agenda.)

**PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME
THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND
PRESENT IT TO THE CITY CLERK.**

(See notice attached to the end of this agenda.)

**PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE
CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY
COUNCIL/REDEVELOPMENT AGENCY.**

Redevelopment Agency Action

CONSENT CALENDAR:

ITEMS 1 - 4 The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

Time Estimate

Page

Consent Calendar: 1 - 10 Minutes

1. **CASA DIANA MIXED-USE PROJECT – SECOND LAND ACQUISITION LOAN**.....8
Recommended Action(s): **Authorize** the Executive Director to do Everything Necessary and Appropriate to Negotiate, Execute and Implement a Loan Agreement with EAH, Inc., Subject to Review and Approval of Agency Counsel, for a Loan up to \$1,100,000 for EAH to Acquire a Third Parcel for the Casa Diana Housing/Commercial Mixed-Use Project.
2. **PRELIMINARY JUNE 2005 REDEVELOPMENT AGENCY FINANCE AND INVESTMENT REPORT**.....9
Recommended Action(s): **Accept** and **File** Report.
3. **OPTION AGREEMENT FOR 55 EAST 4TH STREET PROPERTY**.....18
Recommended Action(s): **Authorize** the Executive Director to Execute, Including Making Modifications as needed and Subject to Agency Counsel Review and Approval, an Option Agreement for the Sale of 55 East 4th Street to Glenrock Builders or Its Designee in the Amount of \$303,481 Plus Customary Escrow/Closing Costs.

Time Estimate

Page

Consent Calendar: 1 - 10 Minutes

4. [INTERIM LOAN FOR ROYAL COURT HOUSING PROJECT](#)19
Recommended Action(s): **Authorize** the Executive Director to do Everything Necessary and Appropriate to Negotiate, Execute and Implement, Subject to Agency Counsel Review and Approval, a Loan Agreement with South County Housing in an Amount not to Exceed \$1.9 Million for the Royal Court Housing Project.

City Council Action

CONSENT CALENDAR:

ITEMS 5 - 14

Time Estimate

Page

Consent Calendar: 1 - 10 Minutes

5. [PRELIMINARY JUNE 2005 CITY FINANCE AND INVESTMENT REPORT](#)20
Recommended Action(s): **Accept** and **File** Report.
6. [VOTING DELEGATE TO THE 2005 LEAGUE OF CALIFORNIA CITIES ANNUAL CONFERENCE](#)44
Recommended Action(s):
1. **Approve** Appointment of Mayor Kennedy as the City's Voting Delegate and Mayor Pro Tempore Tate as the Alternate Voting Delegate to the League of California Cities' Annual Conference; and
2. **Direct** the City Clerk to Complete the Voting Delegate Form and **Forward** Said Form to the League of California Cities.
7. [ANNEXATION APPLICATION, ANX-01-04: CLAYTON-MERLANO](#)45
Recommended Action(s): **Adopt** Resolution Approving Annexation.
8. [CAPITAL IMPROVEMENT PROGRAM \(CIP\) FUNDING FOR REGIONAL SOCCER COMPLEX](#)49
Recommended Action(s): **Receive** Recommendation from the Parks and Recreation Commission that CIP Funds Designated for Assisting Construction of a Regional Soccer Complex at Sobrato High School be Reallocated to the Outdoor Sports Complex Project.
9. [APPROVAL OF SUBDIVISION IMPROVEMENT AGREEMENT WITH SANJAR AND SHARAREH CHAKAMIAN \(APN 764-14-004\)](#)50
Recommended Action(s):
1. **Approve** Subdivision Agreement and Improvement Plans;
2. **Authorize** the City Manager to Sign the Subdivision Improvement Agreement on Behalf of the City; and
3. **Authorize** the Recordation of the Map and the Subdivision Improvement Agreement Following Recordation of the Development Improvement Agreement.
10. [REJECTION OF BIDS FOR THE BUTTERFIELD WELL PUMP STATION PROJECT](#)51
Recommended Action(s):
1. **Reject** the Bids Received on July 13, 2005 for the Construction of the Butterfield Well Pump Station; and
2. **Authorize** the Staff to Re-Bid the Project.

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	
11.	<u>COUNCIL RESOLUTION SUPPORTING GRANT FUNDING FOR PREPARATION OF A “TRAILS AND NATURAL RESOURCES STUDY”</u>	52
	<u>Recommended Action(s):</u>	
	1. <u>Approve</u> the Resolution Supporting TDA Article 3 Grant Funding for the Preparation of a “Trails and Natural Resources Study”; and	
	2. <u>Appropriate</u> Funds of \$4,000 from the City Budget’s Current Year Un-Appropriated Street Fund Balance.	
12.	<u>COMMUNITY CHOICE AGGREGATION UPDATE</u>	56
	<u>Recommended Action(s):</u>	
	1. <u>Accept</u> the Update Report from the Utilities and Environment Sub-Committee; and	
	2. <u>Direct</u> the City Manager to Solicit Potential Aggregation Partners from other Cities in Santa Clara County.	
13.	<u>ACCEPTANCE OF PARADISE PARK PLAY EQUIPMENT REPLACEMENT PROJECT</u>	57
	<u>Recommended Action(s):</u>	
	1. <u>Accept</u> as Complete the Paradise Park Play Equipment Project in the Final Amount of \$79,990; and	
	2. <u>Direct</u> the City Clerk to File the Notice of Completion with the County Recorder’s Office.	
14.	<u>CITY COUNCIL POLICY REGARDING LAND USE NEAR STREAMS AND WATERWAYS</u>	59
	<u>Recommended Action(s):</u> <u>Approve</u> the Proposed City Council Policy.	

City Council Action (continued)

CONSENT CALENDAR:

ITEM 15

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	
15.	<u>AWARD CONTRACT FOR CONSTRUCTION OF PEDESTRIAN CROSSING IMPROVEMENTS AT MONTEREY ROAD AND CENTRAL AVENUE</u>	61
	<u>Recommended Action(s):</u> To be presented at the meeting.	

City Council Action

PUBLIC HEARINGS:

	Time Estimate		Page
16.	5 Minutes	<u>DEVELOPMENT AGREEMENT, DA-04-09/ ZONING AMENDMENT, ZA-04-21: E. DUNNE-DELCO</u>	62
		Public Hearing Opened.	
		Please Limit Your Remarks to 3 Minutes. Public Hearing Closed	
		Council Discussion.	
		Action- <u>Approve</u> Mitigated Negative Declaration.	
		Action- <u>Motion to Waive</u> the Reading in Full of Zoning Amendment Ordinance.	
		Action- <u>Motion to Introduce</u> Zoning Amendment Ordinance by Title Only. (Roll Call Vote)	
		Action- <u>Motion to Waive</u> the Reading in Full of Development Agreement Ordinance.	
		Action- <u>Motion to Introduce</u> Development Agreement Ordinance by Title Only. (Roll Call Vote)	
17.	10 Minutes	<u>ASSESSMENT OF HAZARDOUS VEGETATION MANAGEMENT PROGRAM CHARGES</u>	67
		Public Hearing Opened.	
		Please Limit Your Remarks to 3 Minutes. Public Hearing Closed	
		Council Discussion.	
		Action- <u>Adopt</u> Resolution Ordering the Final Report on the 2005 Hazardous Vegetation Program be transmitted to the County Assessor's Office and that Liens be posted against the Properties on the Report.	
18.	5 Minutes	<u>ZONING TEXT AMENDMENT, ZA-05-06: CITY OF MORGAN HILL-MG GENERAL INDUSTRIAL DISTRICT AMENDMENT</u>	71
		Public Hearing Opened.	
		Please Limit Your Remarks to 3 Minutes. Public Hearing Closed	
		Council Discussion.	
		Action- <u>Table</u> Item.	
19.	30 Minutes	<u>APPLICATION ZA-04-14, AMENDMENT OF PARKING ORDINANCE TO IMPLEMENT DOWNTOWN PLAN</u> To IT/JET for approval	72
		Public Hearing Opened.	
		Please Limit Your Remarks to 3 Minutes. Public Hearing Closed	
		Council Discussion.	
		Action- <u>Select</u> Boundary of Exemption Area and <u>Decide</u> Whether to Impose In-Lieu Fee.	
		Action- <u>Motion to Waive</u> the Reading in Full of Ordinance Amending Municipal Code Chapter 18.50.	
		Action- <u>Motion to Introduce</u> Ordinance by Title Only. (Roll Call Vote)	

City Council Action

OTHER BUSINESS:

	Time Estimate		Page
20.	60 Minutes	<u>OUTDOOR SPORTS COMPLEX</u>	76
		<u>Recommended Action(s):</u>	
		1. <u>Review</u> the Report;	
		2. <u>Consider</u> Recommendations from the Parks and Recreation Commission; and	
		3. <u>Adopt</u> Staff's Recommended Implementation Strategy.	
21.	10 Minutes	<u>RESOLUTION ALLOWING FOR INCLUSION OF THE UNINCORPORATED PORTION OF HOLIDAY LAKE ESTATES WITHIN THE CITY'S URBAN SERVICE AREA</u>	120
		<u>Recommended Action(s):</u>	
		1. <u>Adopt</u> the Resolution to Allow for and Request that LAFCO Include the Unincorporated Portion of Holiday Lake Estates within the City's Urban Services Area (USA); and	
		2. <u>Commit to Provide</u> , as Matching Funds to Property Owner Funds, \$15,000 from the Sewer Fund to Assist Holiday Lake Estates Property Owners with Costs Associated with Preparation of a Preliminary Engineering and Assessment District Formation Study.	

Redevelopment Agency and City Council Action

OTHER BUSINESS:

	Time Estimate		Page
22.	20 Minutes	<u>POLICY ISSUES RELATED TO RESIDENTIAL AND COMMERCIAL DEVELOPMENT IN DOWNTOWN</u>	124
		<u>Recommended Action(s):</u>	
		1. <u>Consider</u> Report from the Council Community and Economic Development Committee on Approaches to Encourage Residential and Commercial Development in Downtown and	
		2. <u>Direct</u> Staff to Take Action as Appropriate.	
23.	15 Minutes	<u>MORGAN HILL DOWNTOWN ASSOCIATION (MHDA) FUNDING EXTENSION</u>	125
		<u>Recommended Action(s):</u>	
		1. <u>Authorize</u> the Executive Director to Negotiate, Prepare, and Execute an Agreement with the MHDA in an amount not to Exceed \$97,500, Subject to Agency Counsel Review and Approval; and	
		2. <u>Authorize</u> the Executive Director to Amend the Property Based Improvement District (PBID) Loan to MHDA to allow MHDA to use the Remaining Loan Proceeds for PBID Formation Activities in Fiscal Year 2005-2006.	

City Council Action (Continued)

OTHER BUSINESS:

	Time Estimate		Page
24.	15 Minutes	<u>APPOINTMENTS TO FILL VACANCIES ON THE ARCHITECTURAL REVIEW BOARD (ARB); LIBRARY, CULTURE & ARTS COMMISSION; MOBILE HOME RENT COMMISSION; AND PLANNING COMMISSION</u>	126
		Recommended Action(s): Consider, Discuss, and Ratify Mayor's Appointments to Fill Vacancies on the ARB; Library, Culture & Arts Commission; Mobile Home Rent Commission; and the Planning Commission.	
25.	5 Minutes	<u>PROPERTY TAX ADMINISTRATION GRANT PROGRAM (PTAP)</u>	127
		Recommended Action(s): Consider Request for Letter(s) in Support to be sent to State Legislators Urging Continuation of the Property Tax Administration Grant Program.	

FUTURE COUNCIL-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

Redevelopment Agency Action and City Council Action

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)
Number of Potential Cases: 2

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority: Government Code 54957
Public Employee Performance Evaluation: City Manager
Attendees: City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

RECONVENE

CLOSED SESSION ANNOUNCEMENT

ADJOURNMENT



REDEVELOPMENT AGENCY

MEETING DATE: *July 27, 2005*

Agenda Item #1

Prepared By:

BAHS Analyst

Approved By:

BAHS Director

Submitted By:

Executive Director

CASA DIANA MIXED-USE PROJECT – 2nd LAND ACQUISITION LOAN

RECOMMENDED ACTION(S): Authorize the Executive Director to do everything necessary and appropriate to negotiate, execute and implement a loan agreement with EAH, Inc., subject to legal review, for a loan of up to \$1,100,000 for EAH to acquire a third parcel for the Casa Diana housing/commercial mixed-use project.

EXECUTIVE SUMMARY: In September, 2004, in response to the Downtown RFP, EAH, Inc. submitted a proposal for an 80-unit mixed-use affordable housing project between E. Dunne and Diana Avenues, at the terminus of Railroad Avenue. On April 20, 2005, the Redevelopment Agency (Agency) approved an acquisition and predevelopment loan of \$2,165,000 to EAH, Inc. for the purchase of the two parcels totaling 2.8 acres at that location. EAH is now seeking funding to acquire a third 1.15 acre parcel, adjacent to the original parcels, on Diana Avenue (See map). All three parcels comprise about one-half of a larger 7.5-acre Planned Unit Development (PUD) area.

This is an important site in the City as it is immediately adjacent to the Morgan Hill Courthouse and in close proximity to both the Cal-Train station and the Downtown. The PUD zoning requires a master plan which ensures that the present and future elements within the PUD area form a cohesive design for the proposed mixed-use development. The master plan will specify the number and type of for-sale and rental housing units, the location of commercial spaces and how Mamma Mia's Restaurant can be integrated into the process. The proposed uses and design will be compatible with the Downtown Plan.

EAH is continuing its efforts to prepare the master plan for the PUD. They have also undertaken a marketing study for both rental and ownership components of the plan, and anticipate competing in this year's Measure C competition. To accomplish this, EAH is now seeking a second acquisition and predevelopment loan of \$1,000,000. This loan includes \$950,000 for the purchase of the third parcel, and \$50,000 for the market study and other pre-development expenses. The loan will either be due or converted into construction and permanent financing, by June 30, 2008, or the start of construction, whichever occurs first. The loan will allow EAH to close escrow on the property in August, and apply for a building allocation in this fall's Measure "C" competition.

Similar to the previous loan, in the event EAH and the Agency are unable to agree on the development plan for the site, the loan will include provisions granting the Agency assignment rights to the project. These rights include but are not limited to: transfer of the undeveloped property, site studies, drawings and plans, either in progress or completed as part of the development and master planning processes. The Agency can exercise this right in return for forgiving the loan. In addition, EAH will be allowed to recover its out of pocket costs not already covered by the loan. We anticipate returning to the Agency for final funding requests and project approval after the master plan is completed in September. This arrangement will give the Agency the ability to control the future development of the site, if necessary.

FISCAL IMPACT: There are sufficient housing funds (327) in the BAHS FY05-06 budget for the \$1,100,000 acquisition loan.



REDEVELOPMENT AGENCY
STAFF REPORT

MEETING DATE: *July 27, 2005*

**PRELIMINARY JUNE 2005 FINANCE &
INVESTMENT REPORT**

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY: Attached is the monthly *Preliminary* Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of June 2005. The report covers activity for the twelve months of the 2004/2005 fiscal year on a preliminary basis. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

FISCAL IMPACT: As presented.

Agenda Item # 2

Prepared By:

Finance Director

Submitted By:

Executive director

**REDEVELOPMENT AGENCY OF
THE CITY OF MORGAN HILL**

Monthly Financial and Investment Reports

Preliminary June 30, 2005 – 100% Year Complete



**CITY OF MORGAN HILL
REDEVELOPMENT AGENCY**

Prepared by:

FINANCE DEPARTMENT



REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05
PRELIMINARY FOR THE MONTH OF JUNE 2005 - 100% OF YEAR COMPLETE

Revenues

Through June 30, the Redevelopment Agency received \$18,970.680, or 86% of the budget, in property tax increment revenues. This amount has been reduced by the \$2,039,239 ERAF payment to the State required as part of the State budget crisis solution. The Redevelopment Agency, as of May 31, 2005, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$100,767,357, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. All tax increment revenues collected during 2004/2005 were collected under the plan amendment.

An amount of \$1,012,448 in interest earnings and other income was received through June 30. Additional interest earnings for the quarter ending June 30 have not yet been apportioned, but will be included in the final monthly report for June 2005.

Expenditures

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$19,731,478 and were 69% of budget. Of this total, \$6,768,317 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 45% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 103% of budget. Through June 2005, CIP project expenditures totaled \$4,287,428, including \$435,764 for Tennant Avenue Widening, \$1,181,762 for the Indoor Recreation Center, \$1,117,396 for the Aquatics Center, \$270,440 for the Library project and \$660,751 for Street Resurfacing.

Expenditures plus encumbrances for Housing were at 81% of the budget for a total of \$5,304,855.

All of the 2004/05 Capital Projects and Housing expenditures have been funded with tax increment collected under the plan amendment.

Fund Balance

The unreserved fund balance of \$4,280,218 for the Capital Projects Fund at June 30, 2005, consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$1.75 million for the Courthouse Facility and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments were subtracted from the \$4,280,218, the remaining unreserved fund balance at June 30, 2005 would be \$920,218. These commitments are expected to be paid out over the next several years. Property tax increment receipts in the near future will provide the resources necessary to carry the Agency through the remainder of this fiscal year. The Capital Projects Fund cash balance at June 30 was \$12,027,172.

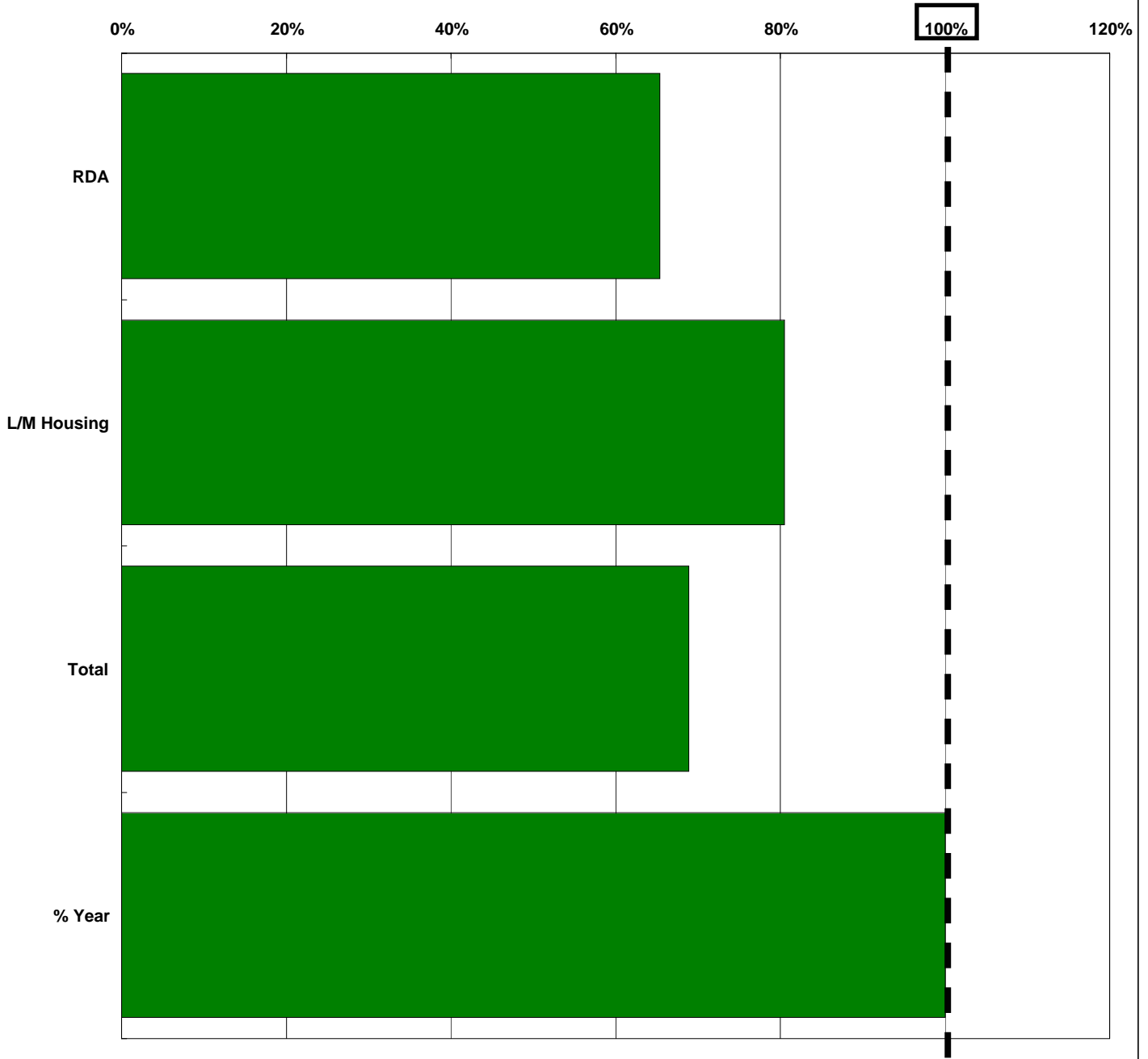
The unreserved fund balance of \$6,636,692 for the Housing Fund at June 30 consisted of funds all collected under the plan amendment.



Redevelopment Agency YTD Expenditures

Preliminary June 30, 2005

Percent of Actual to Budget

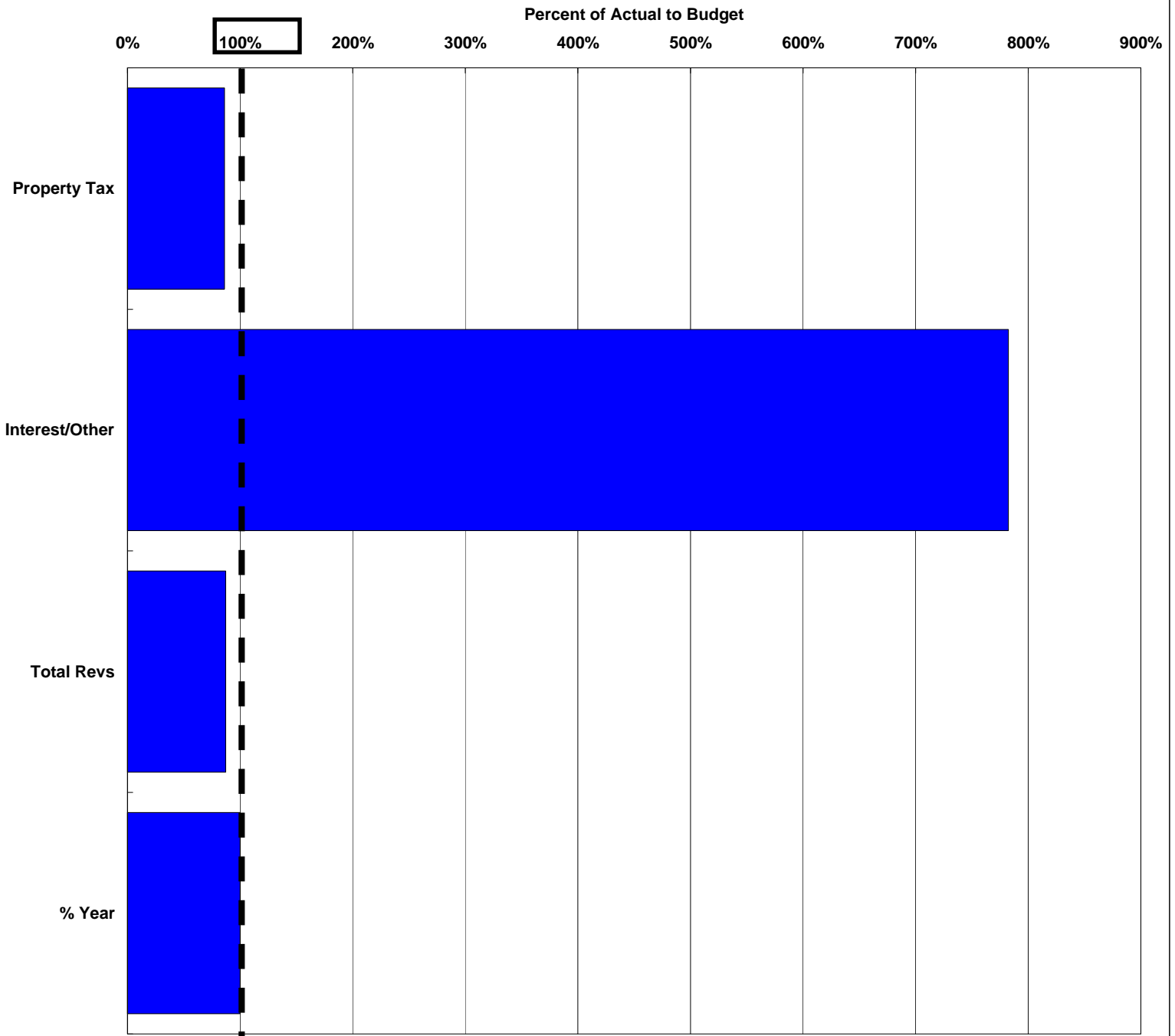


Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$22,066,158	\$14,426,623	65%
HOUSING	6,589,093	5,304,855	81%
TOTALS	\$28,655,251	\$19,731,478	69%



Redevelopment Agency YTD Revenues

May 31, 2005



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$22,017,627	\$18,970,680	86%	\$17,946,380	6%
INTEREST INCOME/RENTS/OTHER	\$129,408	\$1,012,448	782%	\$3,144,046	-68%
TOTALS	\$22,926,011	\$19,983,128	87%	\$21,090,426	-5%



Redevelopment Agency
 Fund Balance Report - Fiscal Year 2004/05
 Preliminary For the Month of June 2005
 100% of Year Complete

Fund No.	Fund	Unaudited Fund Balance 06-30-04	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$3,864,214	14,913,676	83%	7,698,825	35%	7,214,851	6,798,846	4,280,219	\$12,027,172	
327/328	HOUSING	\$6,872,096	5,069,452	105%	5,264,336	80%	(194,884)	40,519	\$6,636,692	\$6,961,645	
TOTAL CAPITAL PROJECT FUNDS		\$10,736,310	19,983,128	87%	12,963,161	45%	7,019,967	6,839,365	10,916,911	18,988,816	
SUMMARY BY FUND TYPE											
	CAPITAL PROJECTS GROUP	\$10,736,310	19,983,128	87%	12,963,161	45%	7,019,967	6,839,365	10,916,911	18,988,816	
TOTAL ALL GROUPS		\$10,736,310	19,983,128	87%	12,963,161	45%	7,019,967	6,839,365	10,916,911	18,988,816	
TOTAL CASH AND INVESTMENTS										18,988,816	

¹ Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency
Year to Date Revenues - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
317 CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	17,048,868	17,280,277	14,305,878	83%	13,595,735	710,143	5%
Development Agreements			-	n/a	-	-	n/a
Interest Income, Rents	17,031	17,031	173,391	1018%	236,061	(62,670)	-27%
Other Agencies/Current Charges	-	778,976	434,407	n/a	1,594,237	(1,159,830)	-73%
TOTAL CAPITAL PROJECTS	17,065,899	18,076,284	14,913,676	83%	15,426,033	(512,357)	-3%
327/328 HOUSING							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	4,664,802	98%	4,350,645	314,157	7%
Interest Income, Rent	112,277	112,277	349,752	312%	553,010	(203,258)	-37%
Other	100	100	54,898	54898%	760,738	(705,840)	-93%
TOTAL HOUSING	4,849,727	4,849,727	5,069,452	105%	5,664,393	(594,941)	-11%
TOTAL CAPITAL PROJECTS FUNDS	21,915,626	22,926,011	19,983,128	87%	21,090,426	(1,107,298)	-5%



Redevelopment Agency
Year to Date Expenditures - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Complete

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CAPITAL PROJECTS								
	BAHS Administration	112,141	1,545,675	1,596,269	1,568,997	72,912	1,641,909	103%
	BAHS Economic Development	50,351	3,125,435	4,306,439	1,842,400	145,114	1,987,514	46%
	BAHS CIP	<u>578,422</u>	<u>8,782,152</u>	<u>16,163,450</u>	<u>4,287,428</u>	<u>6,509,772</u>	<u>10,797,200</u>	<u>67%</u>
	TOTAL CAPITAL PROJECTS	<u>740,914</u>	<u>13,453,262</u>	<u>22,066,158</u>	<u>7,698,825</u>	<u>6,727,798</u>	<u>14,426,623</u>	<u>65%</u>
327 AND 328 HOUSING								
	Housing	<u>261,370</u>	<u>5,824,189</u>	<u>6,589,093</u>	<u>5,264,336</u>	<u>40,519</u>	<u>5,304,855</u>	<u>81%</u>
	TOTAL HOUSING	<u>261,370</u>	<u>5,824,189</u>	<u>6,589,093</u>	<u>5,264,336</u>	<u>40,519</u>	<u>5,304,855</u>	<u>81%</u>
	TOTAL CAPITAL PROJECT FUND	1,002,284	19,277,451	28,655,251	12,963,161	6,768,317	19,731,478	69%



Redevelopment Agency of the City of Morgan Hill
Balance Sheet Report - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Complete

	CAPITAL PROJECTS (Fund 317)	Housing (Fund 327/328)
ASSETS		
Cash and investments:		
Unrestricted	12,027,172	6,961,645
Accounts Receivable	25,125	
Loans Receivable ¹	3,595,106	28,295,469
Advance to Other Funds		
Fixed Assets ²	71,049	
Other Assets		
Total Assets	15,718,452	35,257,114
LIABILITIES		
Accounts Payable and Accrued Liabilities	1,009,991	30,639
Deferred Revenue ³	3,629,397	28,549,264
Accrued Vacation and Comp Time		
Total liabilities	4,639,388	28,579,903
FUND BALANCE		
Fund Balance		
Reserved for:		
Encumbrances	6,727,797	40,519
Advance to Other Funds		
Properties Held for Resale	71,049	
Loans and Notes Receivable		
Total Reserved Fund balance	6,798,846	40,519
Unreserved Fund Balance	4,280,218	6,636,692
Total Fund Balance	11,079,064	6,677,211
Total Liabilities and Fund Balance	15,718,452	35,257,114

¹ Includes Housing Rehab loans and loans for several housing and Agency projects.

² Includes RDA properties held for resale.

³ Includes the deferred payment portion of the loans noted above.



REDEVELOPMENT AGENCY

MEETING DATE: *July 27, 2005*

Agenda Item # 3

Prepared By:

BAHS Manager

Approved By:

BAHS Director

Submitted By:

Executive Director

OPTION AGREEMENT FOR 55 EAST 4TH STREET PROPERTY

RECOMMENDED ACTION(S): Authorize the Executive Director to execute, including making modifications as needed subject to Agency Counsel review, an option agreement for the sale of 55 East 4th Street to Glenrock Builders or its designee in the amount of \$303,481 plus customary escrow/closing costs.

EXECUTIVE SUMMARY: The Redevelopment Agency (the "Agency") purchased the 55 East 4th Street property (the "Property"), including a 1,286 house in September 1991 for \$197,000. The house was later moved to west First Street, completely renovated as part of the Parson's Corner affordable housing project, and sold to a first-time homebuyer.

Glenrock Builders (Developer) wants to purchase the Property to incorporate it in their proposed Sunsweet residential and commercial mixed-use development on Depot Street, between East 3rd and 4th Streets. The Developer plans on applying for Measure C approvals for the residential portion of the development in October 2005. Since site control is a prerequisite for Measure C, the Developer needs site control as soon as possible so they can begin developing plans for a Measure C submittal. Attached is the draft option agreement granting site control.

The key provisions of the option agreement are as follows:

- Purchase price of \$303,481 for the 8,276 sq. ft. parcel (\$36.67/sq. ft.); this is the same land value the Developer proposed for the Library site in downtown.
- The option is valid until June 1, 2006.
- The Developer is required to make a refundable deposit of \$1,000 for the option.
- The Developer must submit an application this year for an allocation under the Residential Development Control System.
- The Developer and Agency must enter into a Disposition and Development Agreement (DDA) for the development of the entire "sunsweet" property prior to closing escrow on the Property.

As you may recall, the Developer previously applied for and is being considered for financial assistance for the development under the Downtown Request for Proposals. The required DDA will define the specific development, timelines for performance, and the financial and non-financial commitments of the Developer and Agency with respect to the development.

FISCAL IMPACT: The Agency would receive \$303,481 upon the close of escrow.



REDEVELOPMENT AGENCY

MEETING DATE: *July 27, 2005*

Agenda Item # 4

Prepared By:

BAHS Analyst

Approved By:

BAHS Director

Submitted By:

Executive Director

INTERIM LOAN FOR ROYAL COURT HOUSING PROJECT

RECOMMENDED ACTION(S): Authorize the Executive Director to do everything necessary and appropriate to negotiate, execute and implement, subject to legal review, a loan agreement with South County Housing in an amount not to exceed \$1.9 million for the Royal Court housing project.

EXECUTIVE SUMMARY: In May, 2003, the Agency approved a loan of \$3.75 million to South County Housing Corporation (SCH) to acquire approximately 4.74 acres between Monterey Road and Del Monte Avenue, just north of Wright Avenue, and develop it into a mixed ownership/rental housing project with a commercial element. Construction of the ownership housing was to commence in the Spring of 2004.

Since May, 2003, SCH discovered that the motel units existing on site had historical significance and needed to be saved. Further, a portion of the project in the 100-year flood plain, was actually a flood flow bypass route that required an entirely different engineering approach to mitigate than the surrounding flood plain. The ownership townhouses were also redesigned as single family detached homes, and the commercial element was eliminated. (See the attached map.) These and other changes involved extensive redesigns, increased costs and additional predevelopment time. As a result, SCH is now projecting Fall, 2005 as the construction start date for the ownership units, with early 2006 the start of the rental portion.

SCH is now seeking a low-interest, short-term loan to allow them to pay for current cost overruns and to grade and underground the entire project site during the ownership phase. They estimate that such a loan would save enough in construction, and interest and loan fees to allow SCH to reduce the apartment permanent loan from the original estimate of \$2.8 million down to \$2.65 million. The Agency previously authorized the Executive Director to convert the loan into permanent financing for the apartments in an amount not to exceed \$2.8 million.

The loan will be accommodated through a combination of Housing Set-Aside and California Housing Finance Agency (CalHFA) "Help" funds. The Agency has \$1 million in HELP funds previously allocated to Jasmine Square and \$900,000 in Agency Housing Set-Aside funds. The loan would be repaid at the time permanent financing of the apartments is secured (estimated in early 2008). The loan rate is 3% simple interest which is the same as the original \$3.75 million loan.

FISCAL IMPACT: Sufficient funds are available in the BAHS FY05-06 Housing Budget.



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

JUNE 2005 PRELIMINARY FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly *Preliminary* Finance and Investment Report for the period ended June 30, 2005. The report preliminarily covers the twelve months of activity for the 2004/2005 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

Agenda Item # 5

Prepared By:

Finance Director

Submitted By:

City Manager

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
Preliminary June 30, 2005 – 100% Year Complete



CITY OF MORGAN HILL

Prepared by:
FINANCE DEPARTMENT



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05
PRELIMINARY REPORT FOR JUNE 2005 - 100% OF YEAR COMPLETE

This preliminary analysis of the status of the City's financial situation reflects 100% of the year. Final numbers will be reflected in the final report to be presented to the City Council in August.

- * **General Fund** - The *revenues* received in the General Fund were approximately 101% of the budgeted revenues. A total of 143% of budgeted Property Related Taxes have been received by the City, which is 64% more than the amount received in the prior year as of this date. This higher amount reflects property tax revenues received as a replacement for most of the Motor Vehicle-in-Lieu fees lost because of State funding changes. Motor Vehicle-in-Lieu revenues were \$207,346. The amount of Motor Vehicle-in-Lieu fees dropped significantly in this fiscal year, consistent with these changes. On a combined basis, Property Related Taxes and Motor Vehicle-in-Lieu fees have brought in 105% of the budget and 115% of the revenue generated in the prior year. The amount of Sales Tax collected was 114% of the sales tax revenue budget and 27% more than the amount received for the prior year. The timing of Sales Tax receipts has been impacted, as of September 2004, because the State, under the triple flip legislation, began to send the City at that time only $\frac{3}{4}$ of the 1% in sales taxes that the City is entitled to. Installments estimated to equal the remaining $\frac{1}{4}$ of sales taxes, for the period September 2004 through June 2005, were distributed by Santa Clara County for the 2004/05 fiscal year in January and May 2005. Franchise fees were 88% of the budgeted amount, or 2% more than the prior year. Business license and other permit collections were 100% of the budgeted amount. Interest & Other Revenue were 105% of budget and do not reflect June interest earnings that will be posted and included in the final June 2005 monthly financial report.
- * The General Fund *expenditures* and *encumbrances* to date totaled 99% of the budgeted appropriations. If the \$453,264 in encumbrances were excluded, 97% of the budget would have been expended. Higher costs for the City Attorney and City Council budgets are related to unanticipated legal expenditures.
- * **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City receives transient occupancy taxes on a quarterly basis. Taxes for the first three quarters, through March 31, amounted to \$701,838, or 3% more than the amount received by the City in the prior year for the same period. Taxes for the fourth quarter ending June 30 are not due until late July and have therefore not yet been collected.
- * **Community Development** - Revenues were 132% of budget, which was 28% more than the amount collected in the like period for the prior year. Compared to the prior year, planning and engineering fees this year were higher and building fees were about the same. Planning expenditures plus encumbrances were 100% of budget; Building has expended or encumbered 91% of budget and Engineering 86%. Community Development has expended or encumbered a combined total of 92% of the 2004/05 budget, including \$231,602 in encumbrances. If encumbrances were excluded, Community Development would have spent only 86% of the combined budget.
- * **RDA and Housing** - An amount of \$18,970,680, or 86% of the budget, in property tax increment revenues has been received as of June 30, 2005. Expenditures plus encumbrances totaled 69% of budget. If encumbrances totaling \$6,768,316 were excluded, the RDA would have spent 45% of the combined budget.



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05
PRELIMINARY FOR THE MONTH OF JUNE 2005 - 100% OF YEAR COMPLETE

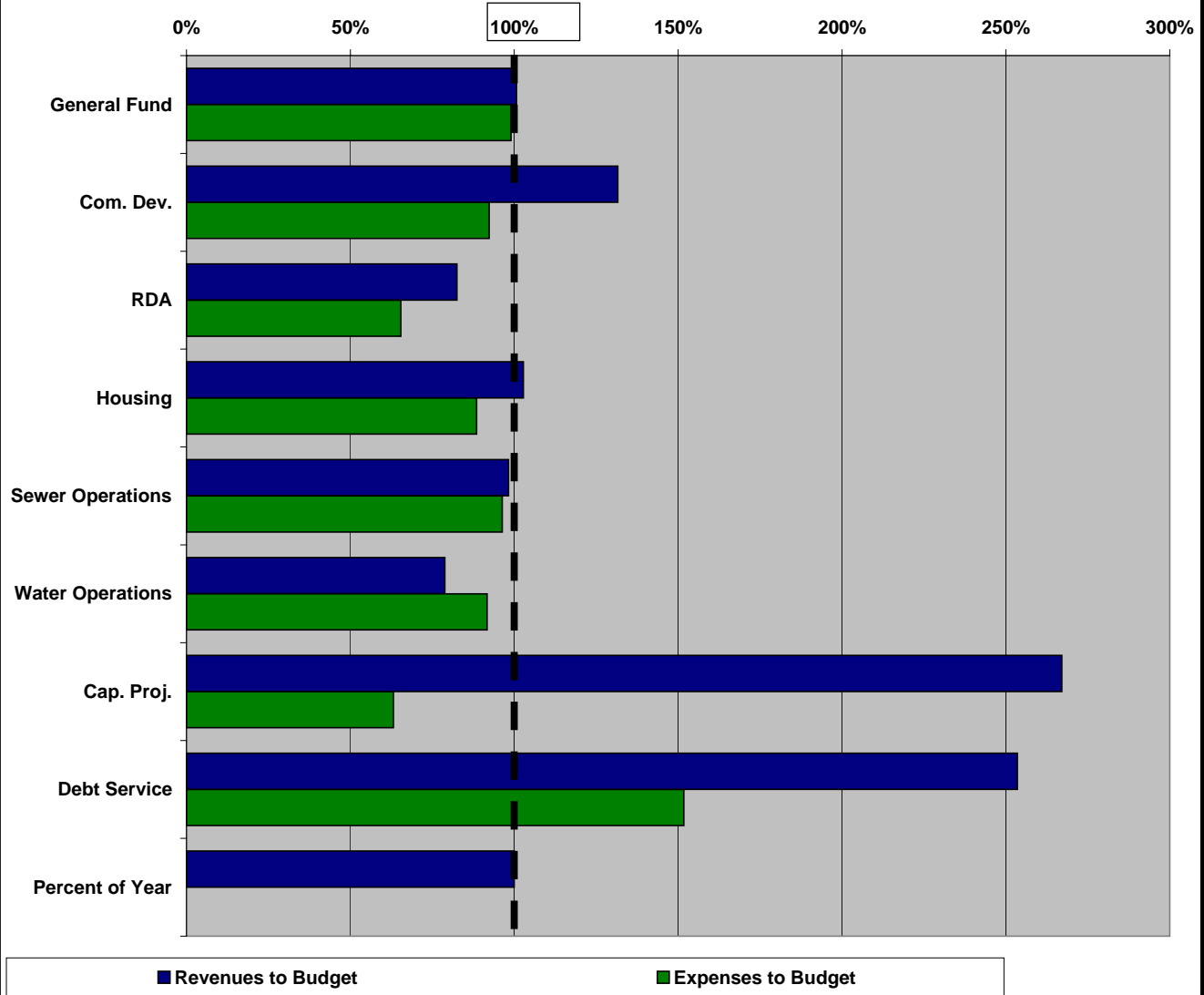
- * **Water and Sewer Operations-** Water sales revenues were 100% of budget. Water sales revenue was down 9% from the prior year as the result of less water sales over the last several months as compared to the prior year. Expenditures totaled 92% of appropriations. Sewer Operations revenues, including service fees, were 98% of budget. Expenditures for sewer operations were 96% of budget.

- * **Investments maturing/called/sold during this period.** – During the month of June, no new investments or calls related to Federal Agencies occurred. Further details of all City investments are contained on pages 6-8 of this report.



Morgan Hill YTD Revenue & Expense Summary

Preliminary June 30, 2005 – 100% Year Complete



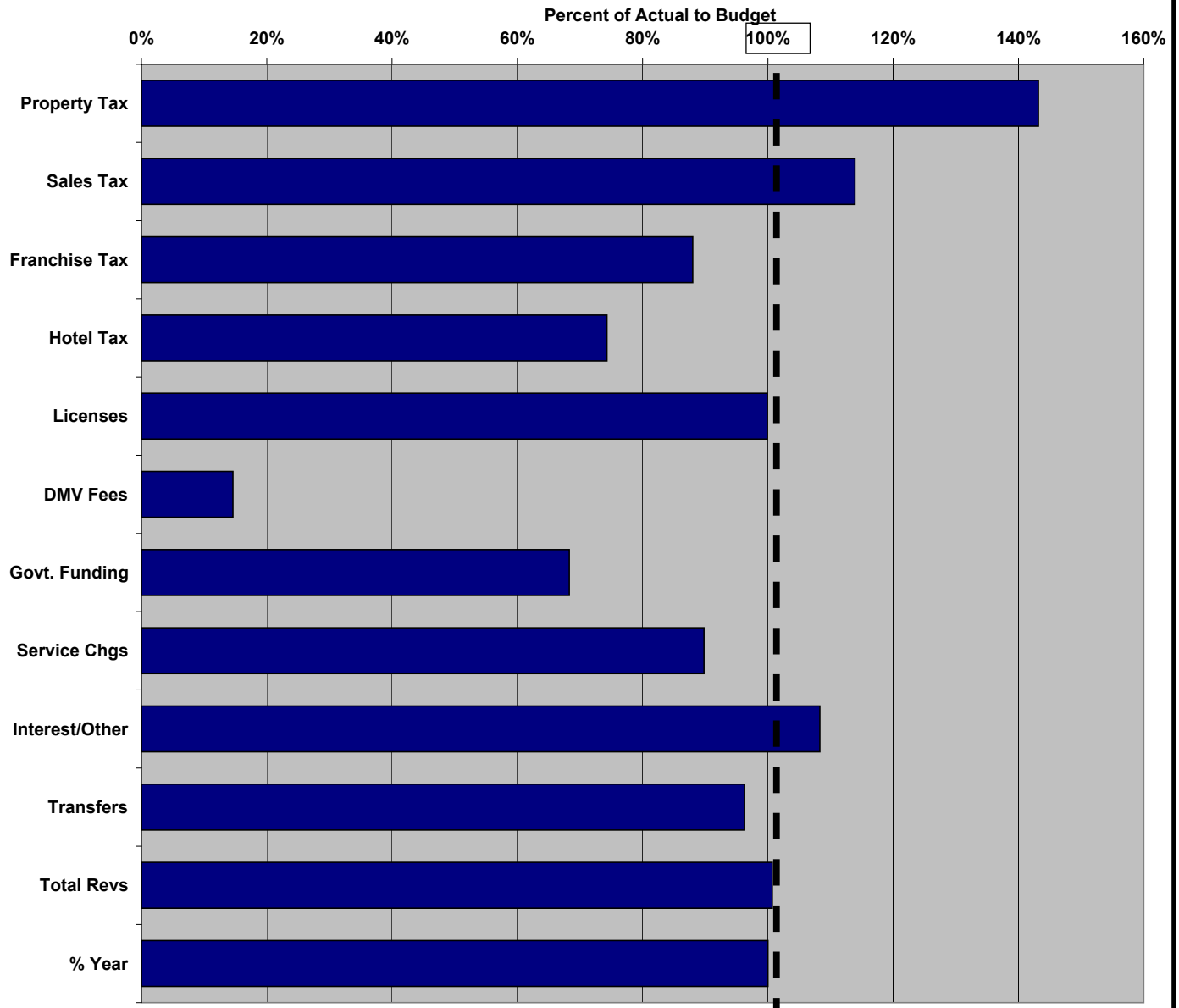
FUND NAME	REVENUES		EXPENSES		6/30/2005 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$17,213,578	101%	\$19,419,799	99%	\$8,692,149
Community Development	3,601,794	132%	3,151,860	92%	1,932,339
RDA	14,913,676	83%	14,426,622	65%	4,280,219
Housing/CDBG	5,166,501	103%	5,609,609	89%	6,071,889
Sewer Operations	5,530,484	98%	6,291,491	96%	2,691,867
Sewer Other	2,735,291	208%	3,122,886	57%	12,007,873
Water Operations	6,826,199	79%	7,453,647	92%	2,901,474
Water Other	8,383,313	135%	5,472,312	39%	210,165
Other Special Revenues ¹	2,061,192	239%	1,015,188	44%	4,628,535
Capital Projects & Streets Funds	14,031,086	267%	12,605,865	63%	24,974,504
Debt Service Funds	818,009	254%	354,668	152%	862,401
Internal Service	4,791,853	91%	4,533,439	91%	5,230,605
Agency	3,595,587	140%	3,282,210	133%	4,213,143
TOTAL FOR ALL FUNDS	\$89,668,563	113%	\$86,739,596	79%	\$78,697,163

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



Morgan Hill YTD General Fund Revenues

Preliminary June 30, 2005 – 100% Year Complete

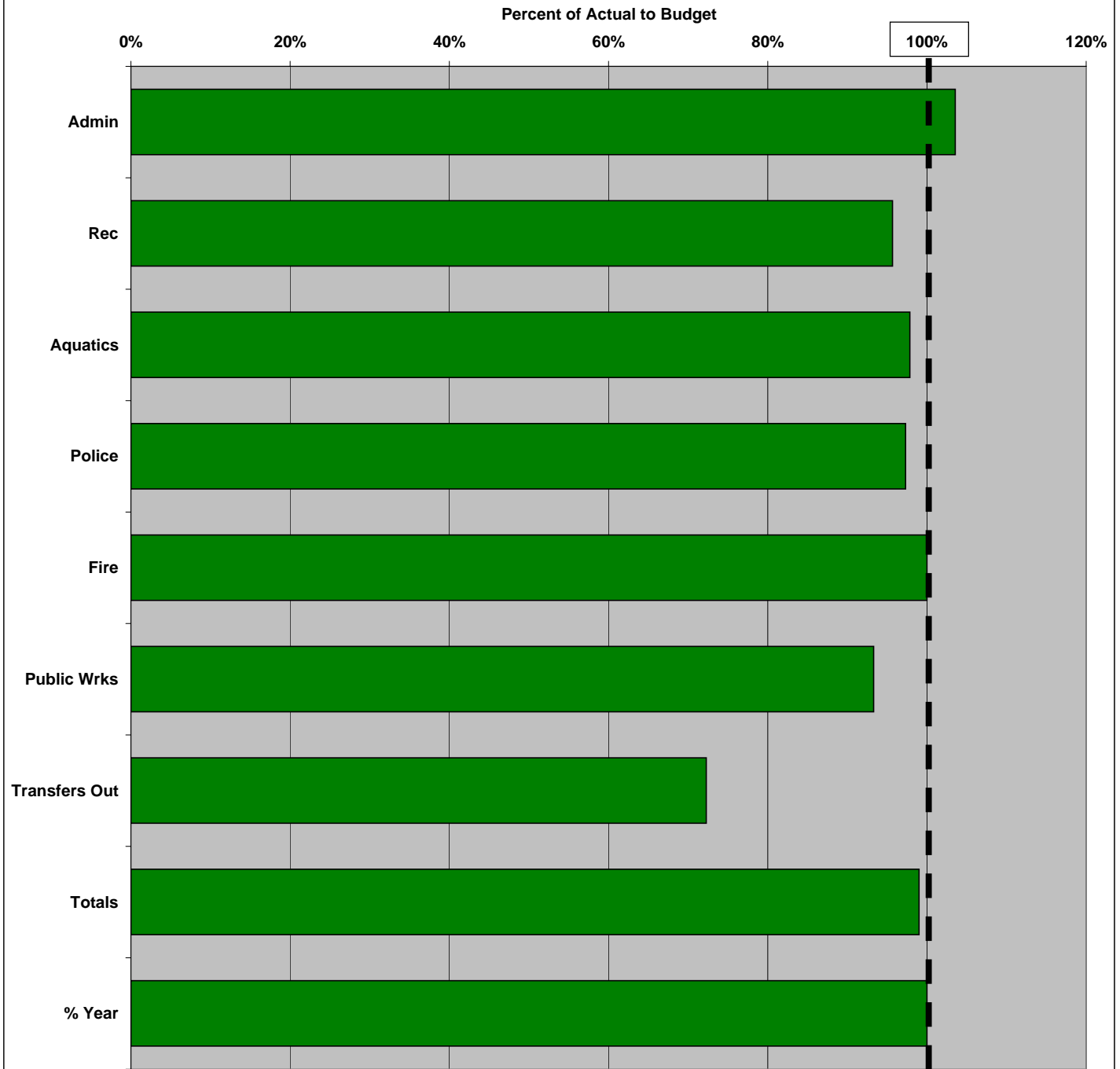


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$3,328,396	\$4,767,384	143%	\$2,908,828	64%
SALES TAXES	\$4,852,000	\$5,528,014	114%	\$4,366,110	27%
FRANCHISE FEE	\$965,000	\$849,477	88%	\$831,596	2%
HOTEL TAX	\$945,000	\$701,838	74%	\$679,429	3%
LICENSES/PERMITS	\$201,720	\$201,508	100%	\$195,869	3%
MOTOR VEHICLE IN LIEU	\$1,423,800	\$207,346	15%	\$1,566,611	-87%
FUNDING - OTHER GOVERNMENTS	\$304,400	\$207,995	68%	\$248,139	-16%
CHARGES CURRENT SERVICES	\$3,790,310	\$3,404,227	90%	\$2,700,376	26%
INTEREST & OTHER REVENUE	\$883,961	\$957,689	108%	\$847,459	13%
TRANSFERS IN	\$403,100	\$388,100	96%	\$849,058	-54%
TOTALS	\$17,097,687	\$17,213,578	101%	\$15,193,475	13%



Morgan Hill YTD General Fund Expenditures

Preliminary June 30, 2005 – 100% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	3,368,660	3,698,683	104%
RECREATION/CCC	1,631,711	1,561,164	96%
AQUATICS	1,434,494	1,403,696	98%
POLICE	8,015,631	7,800,659	97%
FIRE	4,194,617	4,194,617	100%
PUBLIC WORKS	709,456	661,955	93%
TRANSFERS OUT	137,001	99,025	72%
TOTALS	\$ 19,491,570	\$ 19,419,799	99%



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Completed

Fund No.	Fund	Fund Balance 06-30-04	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$10,898,370	\$17,213,578	101%	\$18,966,536	97%	(\$1,752,958)	\$453,263	\$8,692,149	\$10,526,749	\$6,312
TOTAL GENERAL FUND		\$10,898,370	\$17,213,578	101%	\$18,966,536	97%	(\$1,752,958)	\$453,263	\$8,692,149	\$10,526,749	\$6,312
202	STREET MAINTENANCE	\$1,454,752	\$1,766,821	118%	\$2,028,747	91%	(\$261,926)	\$236,711	\$956,115	\$1,263,841	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$321,965	\$108,444	102%	\$175,520	100%	(\$67,076)		\$254,889	\$254,889	
206	COMMUNITY DEVELOPMENT	\$1,482,405	\$3,601,794	132%	\$2,920,258	86%	\$681,536	\$231,602	\$1,932,339	\$2,238,276	
207	GENERAL PLAN UPDATE	\$231,849	\$120,790	119%	\$37,776	21%	\$83,014	\$104,495	\$210,368	\$315,066	
210	COMMUNITY CENTER	\$99,678	\$52,832	101%		n/a	\$52,832		\$152,510	\$152,510	
215 / 216	CDBG	\$127,519	\$97,049	55%	\$145,257	22%	(\$48,208)	644,115	(\$564,804)	\$87,234	
225	ASSET SEIZURE	\$38,956	\$17,082	1675%	\$45,794	n/a	(\$28,712)	\$1,402	\$8,842	\$10,244	
229	LIGHTING AND LANDSCAPE	(\$1,173)	\$135,486	104%	\$135,332	97%	\$154	\$19,910	(\$20,929)	\$4,714	
232	ENVIRONMENTAL PROGRAMS	\$675,334	\$363,915	91%	\$360,205	67%	\$3,710	\$57,686	\$621,358	\$684,375	
234	MOBILE HOME PK RENT STAB.	\$168,580	\$9,079	176%	\$11,223	6%	(\$2,144)		\$166,436	\$166,318	
235	SENIOR HOUSING	\$252,691	\$5,843	106%	\$8,400	42%	(\$2,557)		\$250,134	\$250,134	
236	HOUSING MITIGATION	\$1,141,855	\$1,199,316	9969%	15,000	1%	\$1,184,316	-	\$2,326,171	\$2,326,171	
240	EMPLOYEE ASSISTANCE	\$80,549	\$35,146	72%	40,198	89%	(\$5,052)		\$75,497	\$76,527	
247	ENVIRONMENT REMEDIATION	\$570,000	13,259	n/a			\$13,259		\$583,259	\$583,259	
TOTAL SPECIAL REVENUE FUNDS		\$6,644,960	\$7,526,856	143%	\$5,923,710	69%	\$1,603,146	\$1,295,921	\$6,952,185	\$8,413,557	
301	PARK DEV. IMPACT FUND	\$3,539,104	\$1,263,071	214%	\$94,382	3%	\$1,168,689	\$129,892	\$4,577,901		\$4,707,792
302	PARK MAINTENANCE	\$3,047,206	\$624,637	245%	\$134,077	89%	\$490,560	\$15,169	\$3,522,597	\$3,538,723	
303	LOCAL DRAINAGE	\$3,027,986	\$695,734	286%	\$1,536	0%	\$694,198		\$3,722,184		\$3,722,184
304	LOCAL DRAINAGE/NON-AB1600	\$3,249,120	\$250,105	171%	\$84,811	10%	\$165,294		\$3,414,414	\$3,314,415	
306	OPEN SPACE	\$699,078	\$524,842	318%	1,569		\$523,273	\$10,000	\$1,212,351	\$1,222,351	
309	TRAFFIC IMPACT FUND	\$3,119,744	\$1,067,418	164%	\$640,481	29%	\$426,937	\$947,948	\$2,598,733		\$3,536,424
311	POLICE IMPACT FUND	\$83,370	\$154,582	391%	\$70,821	72%	\$83,761	\$10,000	\$157,131		\$167,132
313	FIRE IMPACT FUND	\$2,333,569	\$168,089	121%	\$1,380	1%	\$166,709		\$2,500,278		\$2,500,278
317	REDEVELOPMENT AGENCY	\$3,864,214	\$14,913,676	83%	\$7,698,825	35%	\$7,214,851	6,798,846	\$4,280,219	\$12,027,172	
327 / 328	HOUSING	\$6,872,096	\$5,069,452	105%	\$5,264,336	80%	(\$194,884)	40,519	\$6,636,693	\$6,961,645	
340/342	MORGAN HILL BUS.RANCH I & II	\$104,826	\$1,585	70%	82,144		(\$80,559)	9,481	\$14,786	\$24,269	
346	PUBLIC FACILITIES NON-AB1600	\$936,101	\$7,063,395	1123%	7,307,403		(\$244,008)	\$394,397	\$297,696	\$642,939	\$182,136
347	PUBLIC FACILITIES IMPACT FUND	\$314,545	\$117,248	157%	\$1,365	12%	\$115,883	9,750	\$420,678		\$430,429
348	LIBRARY IMPACT FUND	\$490,953	\$80,848	15%	\$202	0%	\$80,646		\$571,599		\$571,599
350	UNDERGROUNDING	\$1,140,023	189,256	78%	\$320,654	44%	(\$131,398)	82,945	\$925,680	\$1,015,806	
360	COMM/REC CTR IMPACT FUND	\$18,906	63,455	78%		44%	\$63,455		\$82,361	\$82,361	
TOTAL CAPITAL PROJECT FUNDS		\$32,840,841	\$32,247,393	121%	\$21,703,986	47%	\$10,543,407	\$8,448,947	\$34,935,301	\$28,829,678	\$15,817,974
441	POLICE FACILITY BOND DEBT		578,704	n/a	122,344		\$456,360		\$456,360		\$456,366
545	COCHRANE BUSINESS PARK	\$375,254	189,064	122%	192,842	100%	(\$3,778)		\$371,476	\$190,526	\$180,950
551	JOLEEN WAY	\$23,806	\$50,241	122%	\$39,482	100%	\$10,759		\$34,565	\$17,315	\$17,250
TOTAL DEBT SERVICE FUNDS		\$399,060	\$818,009	254%	\$354,668	152%	\$463,341		\$862,401	\$207,842	\$654,566



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Completed

Fund No.	Fund	Fund Balance 06-30-04	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²
640	SEWER OPERATIONS	\$14,685,816	\$5,530,484	98%	\$6,230,619	95%	(\$700,135)	\$11,293,814	\$2,691,867	\$2,430,771	\$1,894,414
641	SEWER IMPACT FUND	\$9,717,249	\$2,104,739	176%	\$1,064,771	27%	\$1,039,968	4,656,928	\$6,100,289		\$7,170,565
642	SEWER RATE STABILIZATION	\$3,975,411	\$576,317	685%	\$2,117	100%	\$574,200		\$4,549,611	\$4,549,612	
643	SEWER-CAPITAL PROJECTS	\$9,822,474	\$54,235	148%	\$873,606	58%	(\$819,371)	7,645,130	\$1,357,973	\$1,949,193	
650	WATER OPERATIONS	\$23,500,560	\$6,826,199	79%	\$6,730,483	83%	\$95,716	\$20,694,802	\$2,901,474	\$2,968,361	\$414,720
651	WATER IMPACT FUND	\$4,150,949	\$5,905,970	114%	\$1,057,524	24%	\$4,848,446	10,047,487	(\$1,048,093)		\$4,482,167
652	WATER RATE STABILIZATION	\$26,627	\$613	138%	\$493	100%	\$120		\$26,747	\$26,747	
653	WATER -CAPITAL PROJECT	\$9,372,760	\$2,476,730	244%	\$1,855,324	59%	\$621,406	8,762,657	\$1,231,511	\$3,770,834	\$206,180
TOTAL ENTERPRISE FUNDS		\$75,251,846	\$23,475,287	108%	\$17,814,937	64%	\$5,660,350	\$63,100,818	\$17,811,379	\$15,695,519	\$14,168,045
730	DATA PROCESSING	\$472,435	\$279,997	100%	\$386,096	72%	(\$106,099)	196,792	\$169,544	\$357,752	
740	BUILDING MAINTENANCE	\$726,398	\$1,652,610	100%	\$1,254,097	93%	\$398,513	17,998	\$1,106,913	\$1,184,980	
745	CIP ADMINISTRATION	\$52,654	\$1,171,176	84%	\$1,172,138	82%	(\$962)	22,005	\$29,687	\$123,113	
760	UNEMPLOYMENT INS.	\$47,278	\$30,271	50%	\$32,983	60%	(\$2,712)		\$44,566	\$44,567	
770	WORKER'S COMP.	\$5,634	\$765,377	87%	\$602,596	76%	\$162,781	-	\$168,415	\$851,608	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,375,628	\$374,033	97%	\$208,780	88%	\$165,253	589,640	\$2,951,241	\$2,997,479	
793	CORPORATION YARD	\$283,120	\$70,813	52%	\$124,845	72%	(\$54,032)	234,311	(\$5,223)	\$3,752	
795	GEN'L LIABILITY INS.	\$810,702	\$447,576	99%	\$492,816	115%	(\$45,240)		\$765,462	\$905,745	
TOTAL INTERNAL SERVICE FUNDS		\$5,773,849	\$4,791,853	91%	\$4,274,351	86%	\$517,502		\$5,230,605	\$6,468,997	\$40,000
820	SPECIAL DEPOSITS									\$1,028,547	
841	M.H. BUS.RANCH A.D.	\$381,939	\$547,200	n/a	\$667,489	n/a	(\$120,289)		\$261,650	\$261,649	
842	M.H. BUS. RANCH II A.D.	\$32,149	48,808	n/a	\$57,647	n/a	(\$8,839)		\$23,310	\$23,310	
843	M.H. BUS. RANCH 1998	\$1,296,650	\$1,118,020	106%	\$869,100	97%	\$248,920		\$1,545,570	\$657,122	\$888,448
844	MH RANCH RSMNT 2004A	\$186,838	\$758,063		\$180,952	30%	\$577,111		\$763,949	\$359,594	\$404,354
845	MADRONE BP-TAX EXEMPT	\$1,298,723	\$946,601		\$1,185,879	148%	(\$239,278)		\$1,059,445	\$414,476	\$644,971
846	MADRONE BP-TAXABLE	\$251,768	\$138,756	140%	\$321,143	183%	(\$182,387)		\$69,380	\$66,375	\$3,006
848	TENNANT AVE.BUS.PK A.D.	\$430,286	\$37,644	106%		na	\$37,644		\$467,930	\$467,930	
881	POLICE DONATION TRUST FUND	\$21,414	\$495	106%			\$495		\$21,909		\$21,908
TOTAL AGENCY FUNDS		\$3,899,767	\$3,595,587	140%	\$3,282,210	133%	\$313,377		\$4,213,143	\$3,279,004	\$1,962,688
SUMMARY BY FUND TYPE											
GENERAL FUND GROUP		\$10,898,370	\$17,213,578	101%	\$18,966,536	97%	(\$1,752,958)	\$453,263	\$8,692,149	\$10,526,749	\$6,312
SPECIAL REVENUE GROUP		\$6,644,960	\$7,526,856	143%	\$5,923,710	69%	\$1,603,146	\$1,295,921	\$6,952,185	\$8,413,557	
DEBT SERVICE GROUP		\$399,060	\$818,009	254%	\$354,668	152%	\$463,341		\$862,401	\$207,842	\$654,566
CAPITAL PROJECTS GROUP		\$32,840,841	\$32,247,393	121%	\$21,703,986	47%	\$10,543,407	\$8,448,947	\$34,935,301	\$28,829,678	\$15,817,974
ENTERPRISE GROUP		\$75,251,846	\$23,475,287	108%	\$17,814,937	64%	\$5,660,350	\$63,100,818	\$17,811,379	\$15,695,519	\$14,168,046
INTERNAL SERVICE GROUP		\$5,773,849	\$4,791,853	91%	\$4,274,351	86%	\$517,502		\$5,230,605	\$6,468,997	\$40,000
AGENCY GROUP		\$3,899,767	\$3,595,587	140%	\$3,282,210	133%	\$313,377		\$4,213,143	\$3,279,004	\$1,962,688
TOTAL ALL GROUPS		\$135,708,693	\$89,668,563	113%	\$72,320,398	66%	\$17,348,165	\$73,298,949	\$78,697,163	\$73,421,346	\$32,649,586
TOTAL CASH AND INVESTMENTS										\$106,070,932	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT
PRELIMINARY FOR THE MONTH OF JUNE 2005
FOR THE FISCAL YEAR OF 2004-05

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value
Investments						
State Treasurer LAIF - City	All Funds Pooled	2.34%	\$25,541,736		24.06%	\$25,451,483 *
- RDA	RDA	2.34%	\$9,864,708		9.30%	\$9,829,850 *
- Corp Yard	Corp Yard	2.34%	\$53,186		0.05%	\$52,998 *
Federal Issues	All Funds Pooled	3.20%	\$56,245,856		53.03%	\$55,525,480
SVNB CD	All Funds Pooled	2.50%	\$2,000,000		1.89%	\$2,000,000
Money Market	All Funds Pooled	2.43%	\$761	\$93,706,247	0.00%	\$761
Bond Reserve Accounts - held by trustees						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,401			
Blackrock Provident Temp Fund		2.44%	\$45,014		1.79%	\$1,894,414 *
US Bank - 1999 Water C.O.P.						
FHLMC	Water	4.10%	\$414,720		0.39%	\$693,336 *
BNY - MH Water Revenue Bonds						
Blackrock Liquidity Temp Fund	Water	1.38%	\$4,704,446		4.44%	\$4,704,446 *
BNY - MH Police Facility Lease Revenue Bonds						
JP Morgan Treasury Plus	Debt Service	2.22%	\$182,415		0.60%	\$182,415 *
FNMA	Public Facility	4.36%	\$456,087			\$456,782 *
US Bank - MH Ranch 98	MH Ranch					
First American Treasury Obligation	Agency Fund	2.30%	\$888,448		0.84%	\$888,448 *
BNY - Madrone Bus Park Tax Exempt	Madrone Bus Park					
Blackrock Liquidity Temp Fund #20	Agency Fund	2.40%	\$645,779		0.61%	\$645,779 *
BNY - Madrone Bus Park Taxable	Madrone Bus Park					
Blackrock Liquidity Temp Fund #20	Agency Fund	2.40%	\$4,769		0.00%	\$4,769 *
BNY - MH Ranch 2004 A	MH Ranch Bus Park					
Blackrock Provident Temp Fund	Agency Fund	2.44%	\$404,354	\$9,595,433	0.38%	\$404,354 *
Other Accounts/Deposits						
General Checking	All Funds		\$1,500,000		1.41%	\$1,500,000
Dreyfuss Treas Cash Management Account	All Funds		\$1,079,230		1.02%	\$1,079,230
Heritage Bank - Cash in Escrow Account	Streets/Pub Fac	0.90%	\$143,710		0.14%	\$143,710 *
Athens Administrators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$6,312	\$2,769,252	0.01%	\$6,312
Total Cash and Investments			\$106,070,932	\$106,070,932	100.00%	\$105,504,567
MH Financing Authority Investment in						
MH Ranch AD Imprvmt Bond Series 2004		1.75% to 4.50%	\$4,795,000			Unavailable
MH Madrone Bus Park Bond Series A		5.82%	\$8,620,000			Unavailable
MH Madrone Bus Park Bond Series B		7.07%	\$1,110,000			Unavailable

CASH ACTIVITY SUMMARY
FY 04/05

Fund Type	07/01/04 Balance	Change in Cash Balance	06/30/05 Balance	Restricted	Unrestricted
General Fund	\$11,307,873	(\$774,812)	\$10,533,061	\$6,312	\$10,526,749
Community Development	\$1,564,866	\$673,410	\$2,238,276	\$0	\$2,238,276
RDA (except Housing)	\$6,191,592	\$5,835,580	\$12,027,172	\$0	\$12,027,172
Housing / CDBG	\$7,244,293	(\$195,414)	\$7,048,879	\$0	\$7,048,879
Water - Operations	\$3,236,757	\$146,324	\$3,383,081	\$414,720	\$2,968,361
Water Other	\$3,450,125	\$5,035,804	\$8,485,929	\$4,688,347	\$3,797,582
Sewer - Operations	\$5,088,334	(\$763,149)	\$4,325,185	\$1,894,414	\$2,430,771
Sewer Other	\$13,072,660	\$596,710	\$13,669,370	\$7,170,565	\$6,498,805
Other Special Revenue	\$3,503,684	\$1,320,522	\$4,824,206	\$0	\$4,824,206
Streets and Capital Projects (except RDA)	\$23,802,360	\$3,120,316	\$26,922,676	\$15,817,974	\$11,104,702
Assessment Districts/Debt Service	\$397,995	\$464,413	\$862,408	\$654,566	\$207,842
Internal Service	\$6,337,439	\$171,558	\$6,508,997	\$40,000	\$6,468,997
Agency Funds	\$4,902,523	\$339,169	\$5,241,692	\$1,962,688	\$3,279,004
Total	\$90,100,501	\$15,970,431	\$106,070,932	\$32,649,586	\$73,421,346

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.
 * Market value as of 05/31/05

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

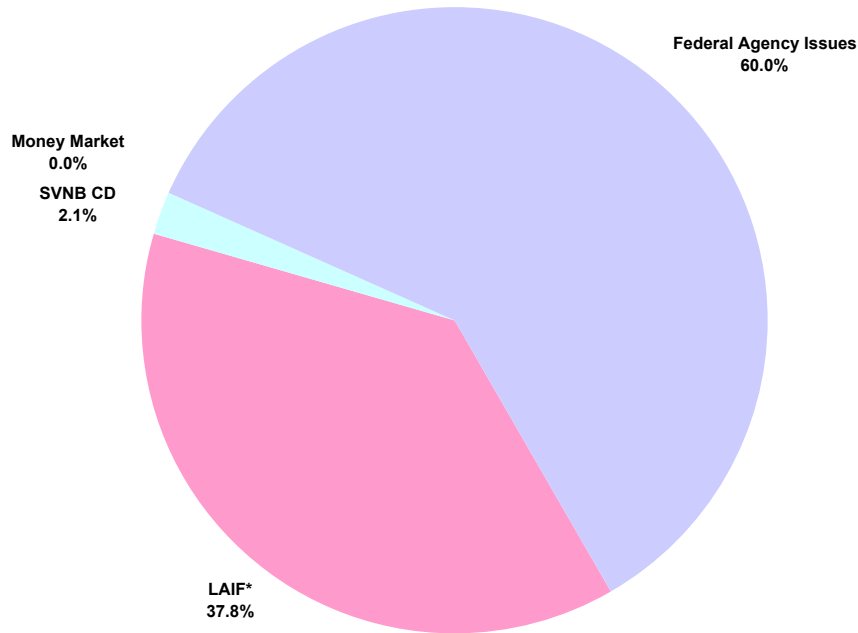
Prepared by: _____
 Lourdes Reroma
 Accountant I

Approved by: _____
 Jack Dilles
 Director of Finance

Verified by: _____
 Tina Reza
 Assistant Director of Finance



CITY OF MORGAN HILL **INVESTMENT PORTFOLIO DETAIL** **Preliminary as of 06/30/05**



Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*									
SVNB CD	07/07/03	\$2,000,000	2.13%	\$2,000,000	2.500%	\$34,472		07/07/05	0.019
Federal Agency Issues									
Fed Home Loan Bank	05/21/04	\$2,000,000	2.13%	\$1,992,500	2.474%	\$49,480	07/21/05	11/21/05	0.392
Fed Home Loan Bank	01/25/05	\$2,000,000	2.13%	\$1,991,880	3.000%	\$26,022	01/25/06	01/25/06	0.570
Fed Home Loan Mgt Corp	10/12/04	\$2,000,000	2.13%	\$1,983,840	2.700%	\$38,803	anytime	04/12/06	0.781
Fed Home Loan Bank	02/26/04	\$2,000,000	2.13%	\$1,979,380	2.563%	\$51,216	08/26/05	05/26/06	0.901
Fed Home Loan Bank	11/29/04	\$2,000,000	2.13%	\$1,984,380	3.076%	\$36,027	08/28/05	08/28/06	1.159
Fed Home Loan Mgt Corp	11/30/04	\$2,000,000	2.13%	\$1,983,420	3.070%	\$36,069	08/30/05	08/30/06	1.164
Fed Home Loan Bank	03/08/05	\$1,999,209	2.13%	\$1,991,880	3.470%	\$21,897	09/08/05	09/08/06	1.189
Fed Home Loan Bank	12/15/04	\$2,000,000	2.13%	\$1,986,880	3.250%	\$35,389	09/15/05	09/15/06	1.208
Fed Home Loan Bank	03/15/05	\$1,000,000	1.07%	\$996,250	3.500%	\$10,272	07/15/05	09/15/06	1.208
Fed Home Loan Bank	03/29/04	\$2,000,000	2.13%	\$1,956,260	2.650%	\$53,000	12/29/06	12/29/06	1.496
Fed Home Loan Bank	03/18/04	\$2,000,000	2.13%	\$1,969,380	3.030%	\$60,600	09/18/05	06/18/07	1.964
Fed Home Loan Bank	03/29/04	\$2,000,000	2.13%	\$1,952,500	3.300%	\$66,000	09/28/05	12/28/07	2.493
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.13%	\$1,979,260	3.500%	\$70,000	09/12/05	03/12/08	2.699
Fed Home Loan Bank	03/26/03	\$2,000,000	2.13%	\$1,972,500	3.375%	\$67,500	anytime	03/26/08	2.737
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.13%	\$1,982,300	3.600%	\$72,000	10/16/05	04/16/08	2.795
Fed Home Loan Mgt Corp	04/17/03	\$1,996,647	2.13%	\$1,977,120	3.625%	\$75,019	10/17/05	04/17/08	2.797
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.13%	\$1,961,260	3.210%	\$64,200	12/03/05	06/03/08	2.926
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.13%	\$1,946,880	2.950%	\$59,000	07/30/05	06/12/08	2.951
Fed Home Loan Bank	07/30/03	\$2,000,000	2.13%	\$1,948,760	3.000%	\$59,974	07/30/05	07/30/08	3.082
Fed Home Loan Bank	07/30/03	\$2,000,000	2.13%	\$1,954,380	3.243%	\$65,371	07/30/05	07/30/08	3.082
Fed Home Loan Bank	07/30/03	\$2,000,000	2.13%	\$1,969,380	3.400%	\$67,970	07/30/05	07/30/08	3.082
Fed Home Loan Bank	08/14/03	\$1,250,000	1.33%	\$1,239,450	3.690%	\$46,094	08/14/05	08/14/08	3.123
Fed Home Loan Bank	10/15/03	\$2,000,000	2.13%	\$1,993,120	4.000%	\$40,000	anytime	10/15/08	3.293
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.13%	\$1,945,000	3.650%	\$73,000	anytime	03/16/09	3.710
Fed Home Loan Bank	03/26/04	\$2,000,000	2.13%	\$1,990,000	4.000%	\$80,000	07/26/05	03/26/09	3.737
Fed Home Loan Bank	04/06/04	\$2,000,000	2.13%	\$1,971,260	3.625%	\$72,500	anytime	04/06/09	3.767
Fed Home Loan Bank	04/07/04	\$2,000,000	2.13%	\$1,970,000	3.600%	\$72,000	07/07/05	04/07/09	3.770
Fed National Mortgage	04/16/04	\$2,000,000	2.13%	\$1,978,760	3.750%	\$75,000	07/16/05	04/16/09	3.795
Fed Home Loan Bank	04/29/04	\$2,000,000	2.13%	\$1,977,500	3.750%	\$75,000	07/29/05	04/29/09	3.830
Redeemed in FY 04/05						\$42,559			
Sub Total/Average		\$56,245,856	60.02%	\$55,525,480	3.204%	\$1,661,962			2.416
Money Market									
		\$761	0.00%	\$761	2.430%	\$8,180			0.003
TOTAL/AVERAGE		\$93,706,247	100.00%	\$92,860,572	2.920%	\$2,364,009			1.452

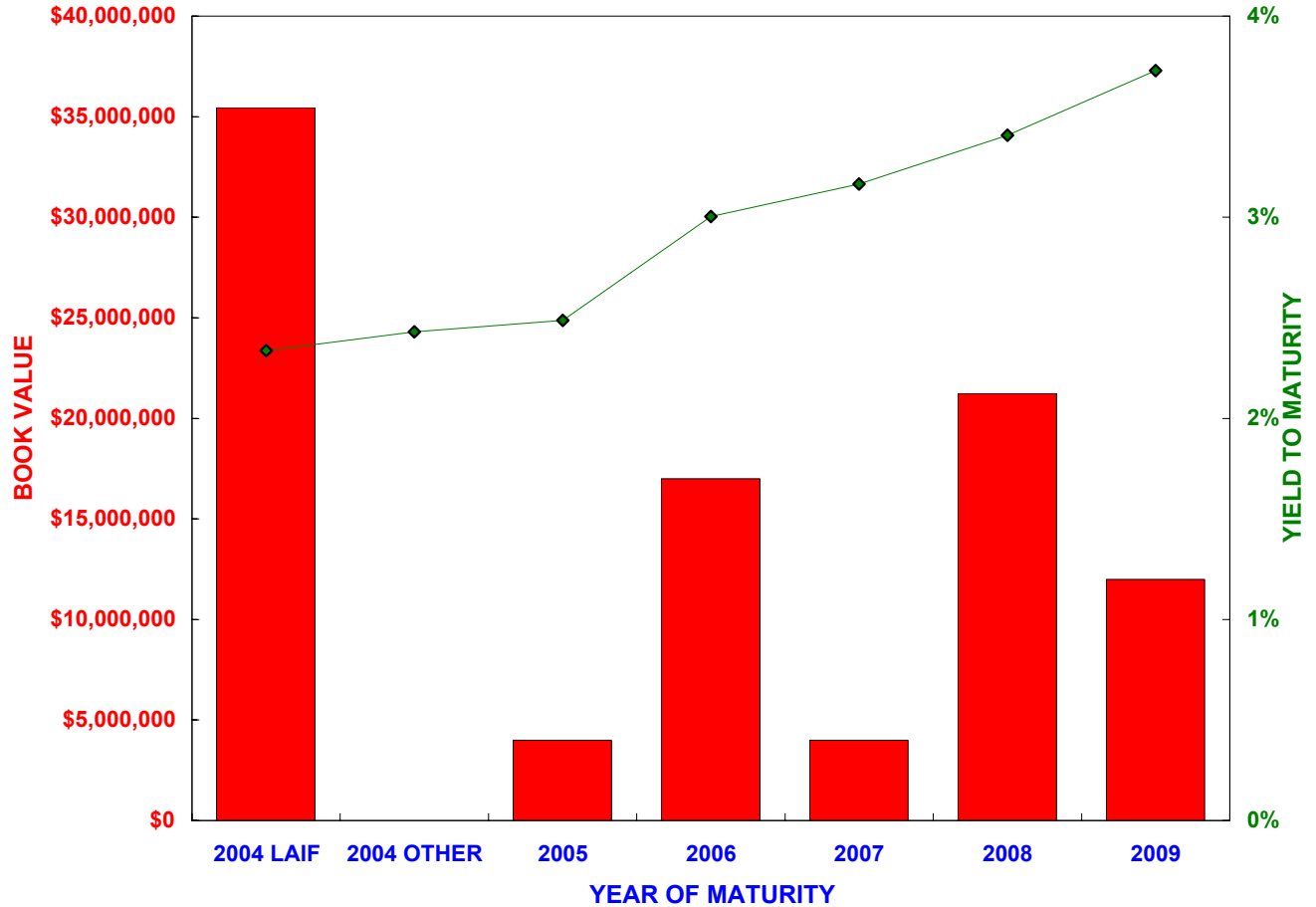
*Per State Treasurer Report dated 6/30/2005, LAIF had invested approximately 9% of its balance in Treasury Bills and Notes, 27% in CDs, 20% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 42% in others.



CITY OF MORGAN HILL

INVESTMENT MATURITIES

PRELIMINARY AS OF JUNE 30, 2005



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2004 LAIF	\$35,459,630	\$35,334,331	2.336%	37.84%
2004 OTHER	\$761	\$761	2.430%	0.00%
2005	\$4,000,000	\$3,992,500	2.487%	4.27%
2006	\$16,999,209	\$16,854,170	3.003%	18.14%
2007	\$4,000,000	\$3,921,880	3.165%	4.27%
2008	\$21,246,647	\$20,924,410	3.408%	22.67%
2009	\$12,000,000	\$11,832,520	3.729%	12.81%
TOTAL	\$93,706,247	\$92,860,572	2.920%	100.00%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
010 GENERAL FUND							
<u>TAXES</u>							
Property Taxes - Secured/Unsecured/Prio	2,803,396	2,803,396	4,108,945	147%	2,363,025	1,745,920	74%
Supplemental Roll	157,500	157,500	240,779	153%	120,933	119,846	99%
Sales Tax	4,600,000	4,600,000	5,307,424	115%	4,150,630	1,156,794	28%
Public Safety Sales Tax	252,000	252,000	220,590	88%	215,480	5,110	2%
Transient Occupancy Taxes	945,000	945,000	701,838	74%	679,429	22,409	3%
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	849,477	88%	831,596	17,881	2%
Property Transfer Tax	367,500	367,500	417,660	114%	424,870	(7,210)	-2%
TOTAL TAXES	10,090,396	10,090,396	11,846,713	117%	8,785,963	3,060,750	35%
<u>LICENSES/PERMITS</u>							
Business License	155,000	155,000	159,093	103%	154,547	4,546	3%
Other Permits	46,720	46,720	42,415	91%	41,322	1,093	3%
TOTAL LICENSES/PERMITS	201,720	201,720	201,508	100%	195,869	5,639	3%
<u>FINES AND PENALTIES</u>							
Parking Enforcement	12,000	12,000	10,755	90%	12,980	(2,225)	-17%
City Code Enforcement	35,000	35,000	70,166	200%	49,628	20,538	41%
Business tax late fee/other fines	1,200	1,200	1,544	129%	1,289	255	20%
TOTAL FINES AND PENALTIES	48,200	48,200	82,465	171%	63,897	18,568	29%
<u>OTHER AGENCIES</u>							
Motor Vehicle in-Lieu	1,423,800	1,423,800	207,346	15%	1,566,611	(1,359,265)	-87%
Other Revenue - Other Agencies	304,400	304,400	207,995	68%	248,139	(40,144)	-16%
TOTAL OTHER AGENCIES	1,728,200	1,728,200	415,341	24%	1,814,750	(1,399,409)	-77%
<u>CHARGES CURRENT SERVICES</u>							
False Alarm Charge	20,000	20,000	18,136	91%	28,513	(10,377)	-36%
Business License Application Review	22,000	22,000	26,097	119%	25,796	301	1%
Recreation Classes	326,750	326,750	330,509	101%	260,690	69,819	27%
Aquatics Revenue	1,181,625	1,436,859	817,017	57%			
General Administration Overhead	1,793,851	1,793,851	1,793,851	100%	2,007,978	(214,127)	-11%
Other Charges Current Services	190,850	190,850	418,617	219%	377,399	41,218	11%
TOTAL CURRENT SERVICES	3,535,076	3,790,310	3,404,227	90%	2,700,376	(113,166)	-4%
<u>OTHER REVENUE</u>							
Use of money/property	819,261	819,261	810,906	99%	720,580	90,326	13%
Other revenues	14,000	16,500	64,318	390%	62,982	1,336	2%
TOTAL OTHER REVENUE	833,261	835,761	875,224	105%	783,562	91,662	12%
<u>TRANSFERS IN</u>							
Park Maintenance	125,000	125,000	125,000	100%	200,000	(75,000)	-38%
Sewer Enterprise	20,000	20,000	20,000	100%	17,500	2,500	14%
Water Enterprise	20,000	20,000	20,000	100%	17,500	2,500	14%
Public Safety	175,000	175,000	175,000	100%	273,000	(98,000)	-36%
Environmental Programs	48,100	48,100	48,100	100%		48,100	n/a
HCD Block Grant	15,000	15,000	-	n/a		-	n/a
Other Funds	-	-	-	n/a	341,058	(341,058)	-100%
TOTAL TRANSFERS IN	403,100	403,100	388,100	96%	849,058	(460,958)	-54%
TOTAL GENERAL FUND	16,839,953	17,097,687	17,213,578	101%	15,193,475	2,020,103	13%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
SPECIAL REVENUE FUNDS							
<u>202 STREET MAINTENANCE</u>							
Gas Tax 2105 - 2107.5	674,000	674,000	672,454	100%	665,516	6,938	1%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	700,000	800,000	700,000	88%	725,000	(25,000)	-3%
Project Reimbursement	-	-	331,868	n/a	606,183	(274,315)	-45%
Interest / Other Revenue/Other Charges	29,635	29,635	62,499	211%	31,136	31,363	101%
202 STREET MAINTENANCE	1,403,635	1,503,635	1,766,821	118%	2,027,835	(261,014)	-13%
<u>204/205 PUBLIC SAFETY TRUST</u>							
Interest Income	6,103	6,103	7,244	119%	7,119	125	2%
Police Grant/SLEF	100,000	100,000	101,200	101%	100,000	1,200	1%
PD Block Grant	-	-	-	n/a	-	-	n/a
CA Law Enforcement Equip. Grant	-	-	-	n/a	-	-	n/a
Federal Police Grant (COPS)	-	-	-	n/a	-	-	n/a
Transfers In	-	-	-	n/a	-	-	n/a
204/205 PUBLIC SAFETY TRUST	106,103	106,103	108,444	102%	107,119	1,325	1%
<u>206 COMMUNITY DEVELOPMENT</u>							
Building Fees	1,403,000	1,403,000	1,804,298	129%	1,922,160	(117,862)	-6%
Planning Fees	791,621	791,621	667,917	84%	447,473	220,444	49%
Engineering Fees	516,500	516,500	1,076,842	208%	389,968	686,874	176%
Other Revenue/Current Charges	26,188	26,188	52,737	201%	28,413	24,324	86%
Transfers	-	-	-	n/a	30,000	(30,000)	-100%
206 COMMUNITY DEVELOPMENT	2,737,309	2,737,309	3,601,794	132%	2,818,014	783,780	28%
207 GENERAL PLAN UPDATE	80,154	101,154	120,790	119%	102,821	17,969	17%
<u>215 and 216 HCD BLOCK GRANT</u>							
HCD allocation	166,440	166,440	77,717	47%	24,178	53,539	221%
Interest Income/Other Revenue	9,648	9,648	18,302	190%	6,781	11,521	170%
Transfers	-	-	1,030	n/a	-	1,030	n/a
215 and 216 HCD BLOCK GRANT	176,088	176,088	97,049	55%	30,959	66,090	213%
210 COMMUNITY CENTER	52,119	52,119	52,832	101%	3,892	48,940	1257%
225 ASSET SEIZURE	1,020	1,020	17,082	1675%	617	16,465	2669%
229 LIGHTING AND LANDSCAPE	130,766	130,766	135,486	104%	134,435	1,051	1%
232 ENVIRONMENTAL PROGRAMS	399,491	399,491	363,915	91%	354,523	9,392	3%
234 MOBILE HOME PARK RENT STAB.	5,148	5,148	9,079	176%	304,722	(295,643)	-97%
235 SENIOR HOUSING	5,501	5,501	5,843	106%	4,106	1,737	42%
236 HOUSING MITIGATION	12,031	12,031	1,199,316	9969%	106,951	1,092,365	1021%
240 EMPLOYEE ASSISTANCE	29,059	49,059	35,146	72%	91,445	(56,299)	-62%
247 ENVIRONMENT REMEDIATION			13,259	n/a	570,000	(556,741)	-98%
TOTAL SPECIAL REVENUE FUNDS	5,138,424	5,279,424	7,526,856	143%	6,657,439	869,417	13%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	578,596	591,596	1,263,071	214%	971,476	291,595	30%
302 PARK MAINTENANCE	254,863	254,863	624,637	245%	319,002	305,635	96%
303 LOCAL DRAINAGE	243,292	243,292	695,734	286%	206,989	488,745	236%
304 LOCAL DRAINAGE/NON AB1600	146,377	146,377	250,105	171%	135,702	114,403	84%
306 OPEN SPACE	165,125	165,125	524,842	318%	236,532	288,310	122%
309 TRAFFIC MITIGATION	651,916	651,916	1,067,418	164%	1,456,787	(389,369)	-27%
311 POLICE MITIGATION	39,568	39,568	154,582	391%	118,085	36,497	31%
313 FIRE MITIGATION	138,417	138,417	168,089	121%	235,652	(67,563)	-29%
317 RDA CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	17,048,868	17,280,277	14,305,878	83%	13,595,735	710,143	5%
Development Agreements			-	n/a		-	n/a
Interest Income, Rents	17,031	17,031	173,391	1018%	236,061	(62,670)	-27%
Other Agencies/Current Charges/Transfer	-	778,976	434,407	n/a	1,594,237	(1,159,830)	-73%
317 RDA CAPITAL PROJECTS	17,065,899	18,076,284	14,913,676	83%	15,426,033	(512,357)	-3%
327/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	4,664,802	98%	4,350,645	314,157	7%
Interest Income, Rent	112,277	112,277	349,752	312%	553,010	(203,258)	-37%
Other	100	100	54,898	54898%	760,738	(705,840)	-93%
327/328 RDA L/M HOUSING	4,849,727	4,849,727	5,069,452	105%	5,664,393	(594,941)	-11%
346 PUBLIC FACILITIES NON-AB1600	629,137	629,137	7,063,395	1123%	1,762,576	5,300,819	301%
347 PUBLIC FACILITIES	74,737	74,737	117,248	157%	505,678	(388,430)	-77%
348 LIBRARY	526,000	526,000	80,848	15%	73,725	7,123	10%
350 UNDERGROUNDING	242,742	242,742	189,256	78%	97,778	91,478	94%
340/342 MH BUS.RANCH CIP I & II	2,270	2,270	1,585	70%	1,658	(73)	-4%
360 COMMUNITY/REC IMPACT FUND	44,399	44,399	63,455	143%	18,822	44,633	237%
TOTAL CAPITAL PROJECTS FUNDS	25,653,065	26,676,450	32,247,393	121%	27,230,888	5,016,505	18%
DEBT SERVICE FUNDS							
441 POLICE FACILITY BOND			578,704	n/a		578,704	n/a
536 ENCINO HILLS	1,495	1,495	-	n/a	1,099	(1,099)	-100%
539 MORGAN HILL BUSINESS PARK	250	250	-	n/a	191	(191)	-100%
542 SUTTER BUSINESS PARK	552	552	-	n/a	403	(403)	-100%
545 COCHRANE BUSINESS PARK	279,134	279,134	189,064	68%	194,372	(5,308)	-3%
551 JOLEEN WAY	41,235	41,235	50,241	122%	35,734	14,507	41%
TOTAL DEBT SERVICE FUNDS	322,666	322,666	818,009	254%	231,799	586,210	253%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	5,459,000	5,459,000	5,284,179	97%	5,387,924	(103,745)	-2%
Interest Income	59,437	59,437	96,233	162%	94,081	2,152	2%
Other Revenue/Current Charges	110,500	110,500	150,072	136%	90,974	59,098	65%
640 SEWER OPERATION	5,628,937	5,628,937	5,530,484	98%	5,572,979	(42,495)	-1%
641 SEWER EXPANSION							
Interest Income	94,826	94,826	150,614	159%	90,303	60,311	67%
Connection Fees	1,100,000	1,100,000	1,953,333	178%	2,192,709	(239,376)	-11%
Other	-	-	792	n/a	792	-	n/a
641 SEWER EXPANSION	1,194,826	1,194,826	2,104,739	176%	2,283,804	(179,065)	-8%
642 SEWER RATE STABILIZATION	84,161	84,161	576,317	685%	149,336	426,981	286%
643 SEWER-CAPITAL PROJECT	36,527	36,527	54,235	148%	545,485	(491,250)	-90%
TOTAL SEWER FUNDS	6,944,451	6,944,451	8,265,775	119%	8,551,604	(285,829)	-3%
650 WATER OPERATION							
Water Sales	5,821,375	5,821,375	5,841,877	100%	6,413,116	(571,239)	-9%
Meter Install & Service	40,000	40,000	103,815	260%	35,960	67,855	189%
Transfers-In, and Interest Income	2,516,848	2,516,848	126,730	5%	1,097,301	(970,571)	-88%
Other Revenue/Current Charges	279,688	279,688	753,777	270%	538,268	215,509	40%
650 WATER OPERATION	8,657,911	8,657,911	6,826,199	79%	8,084,645	(1,258,446)	-16%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	5,000,000	5,000,000	5,436,915	109%	569,900	4,867,015	854%
Water Connection Fees	200,000	200,000	469,055	235%	424,684	44,371	10%
651 WATER EXPANSION	5,200,000	5,200,000	5,905,970	114%	994,584	4,911,386	494%
652 Water Rate Stabilization	445	445	613	138%	8,763	(8,150)	-93%
653 Water Capital Project	1,016,646	1,016,646	2,476,730	244%	776,991	1,699,739	219%
TOTAL WATER FUNDS	14,875,002	14,875,002	15,209,512	102%	9,864,983	5,344,529	54%
TOTAL ENTERPRISE FUNDS	21,819,453	21,819,453	23,475,287	108%	18,416,587	5,058,700	27%
INTERNAL SERVICE FUNDS							
730 INFORMATION SERVICES	279,995	279,995	279,997	100%	280,783	(786)	0%
740 BUILDING MAINTENANCE SERVICES	1,652,610	1,652,610	1,652,610	100%	892,494	760,116	85%
745 CIP ADMINISTRATION	1,395,765	1,395,765	1,171,176	84%	1,297,427	(126,251)	-10%
760 UNEMPLOYMENT INSURANCE	60,484	60,484	30,271	50%	22,088	8,183	37%
770 WORKERS COMPENSATION	875,300	875,300	765,377	87%	707,024	58,353	8%
790 EQUIPMENT REPLACEMENT	373,009	384,009	374,033	97%	240,019	134,014	56%
793 CORPORATION YARD COMMISSION	136,715	136,715	70,813	52%	208,486	(137,673)	-66%
795 GENERAL LIABILITY INSURANCE	453,709	453,709	447,576	99%	388,540	59,036	15%
TOTAL INTERNAL SERVICE FUNDS	5,227,587	5,238,587	4,791,853	91%	4,036,861	754,992	19%



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Preliminary For the Month of June 2005
100% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	-	-	547,200	n/a	728,834	(181,634)	-25%
842 M.H. BUS.RANCH A.D. II	-	-	48,808	n/a	66,658	(17,850)	-27%
843 M.H. BUS.RANCH 1998	905,353	905,353	1,118,020	123%	675,252	442,768	66%
844 M.H. RANCH REFUNDING 2004A	619,142	619,142	758,063	122%	760,713	(2,650)	0%
845 MADRONE BP-TAX EXEMPT	826,553	826,553	946,601	115%	794,423	152,178	19%
846 MADRONE BP-TAXABLE	179,459	179,459	138,756	77%	166,856	(28,100)	-17%
848 TENNANT AVE.BUS.PK A.D.	37,993	37,993	37,644	99%	66,717	(29,073)	-44%
881 POLICE DONATION TRUST FUND	465	465	495	106%	344	151	44%
TOTAL AGENCY FUNDS	2,568,965	2,568,965	3,595,587	140%	3,259,797	335,790	10%
TOTAL FOR ALL FUNDS	77,570,113	79,003,232	89,668,563	113%	75,026,846	15,475,507	21%



City of Morgan Hill
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100% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
010 GENERAL FUND								
I. GENERAL GOVERNMENT								
COUNCIL AND MISCELLANEOUS GOVT.								
	City Council	14,470	174,319	204,648	221,276	3,723	224,999	110%
	Community Promotions	17,529	28,114	28,114	31,890	-	31,890	113%
COUNCIL AND MISCELLANEOUS GO		31,999	202,433	232,762	253,166	3,723	256,889	110%
CITY ATTORNEY		73,843	566,191	850,022	1,001,548	212,702	1,214,250	143%
CITY MANAGER								
	City Manager	25,686	318,659	318,659	310,821		310,821	98%
	Cable Television	997	44,961	44,961	39,986	3,370	43,356	96%
	Communications & Marketing	8,769	71,045	71,045	61,639		61,639	87%
CITY MANAGER		35,452	434,665	434,665	412,446	3,370	415,816	96%
RECREATION								
	Recreation	20,168	285,551	285,551	275,032	37,500	312,532	109%
	Community & Cultural Center	103,864	1,287,874	1,346,160	1,129,509	119,123	1,248,632	93%
	Aquatics Center	100,180	1,179,260	1,434,494	1,399,409	4,287	1,403,696	98%
RECREATION		224,212	2,752,685	3,066,205	2,803,950	160,910	2,964,860	97%
HUMAN RESOURCES								
	Human Resources	39,827	485,417	485,417	485,894	6,998	492,892	102%
	Volunteer Programs	4,453	55,912	55,912	52,129	-	52,129	93%
HUMAN RESOURCES		44,280	541,329	541,329	538,023		545,021	101%
CITY CLERK								
	City Clerk	21,590	252,920	277,261	255,361	5,841	261,202	94%
	Elections	4,096	100,296	100,296	86,536	-	86,536	86%
CITY CLERK		25,686	353,216	377,557	341,897	5,841	347,738	92%
FINANCE		88,895	927,325	927,325	903,969	15,000	918,969	99%
				5,000				
MEDICAL SERVICES		-					-	n/a
TOTAL GENERAL GOVERNMENT		524,367	5,777,844	6,434,865	6,254,999	408,544	6,663,543	104%
II. PUBLIC SAFETY								
POLICE								
	PD Administration	60,504	614,784	614,784	654,046	-	654,046	106%
	Patrol	329,714	4,106,920	4,121,520	3,992,338	736	3,993,074	97%
	Support Services	88,037	949,449	949,449	862,107	2,446	864,553	91%
	Emergency Services/Haz Mat	171	46,252	50,265	15,551	4,013	19,564	39%
	Special Operations	116,830	1,195,840	1,203,958	1,330,161	8,411	1,338,572	111%
	Animal Control	6,491	86,078	86,078	87,043		87,043	101%
	Dispatch Services	73,967	988,927	989,577	843,807		843,807	85%
POLICE		675,714	7,988,250	8,015,631	7,785,053	15,606	7,800,659	97%
FIRE		686,577	4,194,617	4,194,617	4,194,617	-	4,194,617	100%
TOTAL PUBLIC SAFETY		1,362,291	12,182,867	12,210,248	11,979,670	15,606	11,995,276	98%
III. COMMUNITY IMPROVEMENT								
PARK MAINTENANCE		62,809	705,572	709,456	632,842	29,113	661,955	93%
TOTAL COMMUNITY IMPROVEMENT		62,809	705,572	709,456	632,842	29,113	661,955	93%



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FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
IV. TRANSFERS								
	General Plan Update			9,000	-	-	-	n/a
	Community Center	4,167	50,000	50,000	50,000	-	50,000	
	Info Systems		49,025	49,025	49,025	-	49,025	100%
	RDA Capital Project	-		28,976	-	-	-	n/a
TOTAL TRANSFERS		4,167	99,025	137,001	99,025	-	99,025	72%
TOTAL GENERAL FUND		1,953,634	18,765,308	19,491,570	18,966,536	453,263	19,419,799	99%
SPECIAL REVENUE FUNDS								
202 STREET MAINTENANCE								
	Street Maintenance/Traffic	164,354	1,593,914	1,634,616	1,530,549	127,458	1,658,007	101%
	Congestion Management	3,416	80,329	80,329	65,870		65,870	82%
	Street CIP	88,292	44,993	526,328	432,328	109,253	541,581	103%
202 STREET MAINTENANCE		256,062	1,719,236	2,241,273	2,028,747	236,711	2,265,458	101%
204/205	PUBLIC SAFETY/SUPP.LAW	14,627	175,520	175,520	175,520		175,520	100%
206 COMMUNITY DEVELOPMENT FUND								
	Planning	94,700	1,086,783	1,236,714	1,137,873	95,922	1,233,795	100%
	Building	79,684	1,038,955	1,055,719	864,236	92,107	956,343	91%
	PW-Engineering	77,819	1,096,107	1,121,274	918,149	43,573	961,722	86%
206 COMMUNITY DEVELOPMENT FUND		252,203	3,221,845	3,413,707	2,920,258	231,602	3,151,860	92%
207	GENERAL PLAN UPDATE	2,209	60,498	177,742	37,776	104,495	142,271	80%
210	COMMUNITY CENTER	-	-	-	-	-	-	n/a
215/216	CDBG	7,146	288,007	657,039	145,257	159,497	304,754	46%
225	ASSET SEIZURE	-	-	-	45,794	1,402	47,196	n/a
229	LIGHTING AND LANDSCAPE	18,100	14,038	140,038	135,332	19,910	155,242	111%
232	ENVIRONMENT PROGRAMS	23,725	417,937	535,570	360,205	57,686	417,891	78%
234	MOBILE HOME PARK	334	5,202	200,545	11,223		11,223	6%
235	SENIOR HOUSING TRUST FUNI	(2,146)	20,180	20,180	8,400	2,247	10,647	53%
236	HOUSING MITIGATION FUND	-	1,015,000	1,015,000	15,000	-	15,000	1%
240	EMPLOYEE ASSISTANCE	6,875	25,000	45,000	40,198	-	40,198	89%
TOTAL SPECIAL REVENUE FUNDS		579,135	6,962,463	8,621,614	5,923,710	813,550	6,737,260	78%
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	2,807	2,062,944	2,889,271	94,382	129,892	224,274	8%
302	PARK MAINTENANCE	39,499	150,000	150,000	134,077	15,169	149,246	99%
303	LOCAL DRAINAGE	128	2,001,536	2,001,536	1,536		1,536	0%
304	LOCAL DRAIN. NON-AB1600	11,544	841,669	854,739	84,811	-	84,811	10%
306	OPEN SPACE	-			1,569		1,569	
309	TRAFFIC MITIGATION	207,675	1,050,000	2,246,433	640,481	947,948	1,588,429	71%
311	POLICE MITIGATION	495	88,937	98,444	70,821	10,000	80,821	82%
313	FIRE MITIGATION	115	101,380	132,676	1,380	-	1,380	1%
317	RDA BUSINESS ASSISTANCE	740,914	13,453,262	22,066,158	7,698,825	6,727,797	14,426,622	65%
327/328	RDA HOUSING	261,370	5,824,189	6,589,093	5,264,336	40,519	5,304,855	81%
340/342	MH BUS RANCH CIP				82,144	9,481	91,625	n/a
346	PUBLIC FAC.NON AB1600	291,550	553,000	7,562,887	7,307,403	394,397	7,701,800	102%
347	PUBLIC FACILITIES	114	1,365	11,115	1,365	9,750	11,115	100%
348	LIBRARY IMPACT	17	1,000,202	1,000,202	202		202	0%
350	UNDERGROUNDING	236,083	375,390	722,865	320,654	82,945	403,599	56%
360	COMM/REC CTR IMPACT	-	50,000	50,000	-	-	-	n/a
TOTAL CAPITAL PROJECTS FUNDS		1,792,311	27,553,874	46,375,419	21,703,986	8,367,898	30,071,884	65%



City of Morgan Hill
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FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
DEBT SERVICE FUNDS								
441	POLICE FACILITY BOND DEBT		-	-	122,344	-	122,344	n/a
539	MORGAN HILL BUS. PARK A.D.	-	-	-	-	-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	655	194,200	194,200	192,842	-	192,842	99%
551	JOLEEN WAY A.D.	655	39,561	39,561	39,482	-	39,482	100%
TOTAL DEBT SERVICE FUNDS		1,310	233,761	233,761	354,668	-	354,668	152%
ENTERPRISE FUNDS								
SEWER								
640	SEWER OPERATION	397,329	6,450,819	6,529,282	6,230,619	60,872	6,291,491	96%
641	CAPITAL EXPANSION	358,105	3,556,745	3,946,185	1,064,771	610,981	1,675,752	42%
642	SEWER RATE STABILIZATION	176	2,117	2,117	2,117		2,117	100%
643	SEWER-CAPITAL PROJECTS	205,632	472,539	1,515,015	873,606	571,411	1,445,017	95%
TOTAL SEWER FUND(S)		961,242	10,482,220	11,992,599	8,171,113	1,243,264	9,414,377	79%
WATER								
	Water Operations Division	501,507	6,541,316	6,912,203	5,650,417	658,852	6,309,269	91%
	Meter Reading/Repair	100,515	719,352	743,447	646,348	64,312	710,660	96%
	Utility Billing	32,129	392,283	392,283	384,913	-	384,913	98%
	Water Conservation	3,625	59,466	77,712	48,805	-	48,805	63%
650	WATER OPERATIONS	637,776	7,712,417	8,125,645	6,730,483	723,164	7,453,647	92%
651	CAPITAL EXPANSION	71,842	2,845,226	4,334,398	1,057,524	618,116	1,675,640	39%
652	WATER RATE STABILIZATION	41	493	493	493		493	100%
653	WATER-CAPITAL PROJECTS	586,095	1,115,923	3,170,822	1,855,324	1,940,855	3,796,179	120%
TOTAL WATER FUND(S)		1,295,754	11,674,059	15,631,358	9,643,824	3,282,135	12,925,959	83%
TOTAL ENTERPRISE FUNDS		2,256,996	22,156,279	27,623,957	17,814,937	4,525,399	22,340,336	81%
INTERNAL SERVICE FUNDS								
730	INFORMATION SERVICES	35,124	430,970	537,243	386,096	164,326	550,422	102%
740	BUILDING MAINTENANCE	122,604	1,343,445	1,343,445	1,254,097	17,998	1,272,095	95%
745	CIP ENGINEERING	93,349	1,395,765	1,431,786	1,172,138	20,974	1,193,112	83%
760	UNEMPLOYMENT	-	55,000	55,000	32,983		32,983	60%
770	WORKERS COMPENSATION	28,612	767,200	789,775	602,596	-	602,596	76%
790	EQUIPMENT REPLACEMENT	1,439	187,240	237,240	208,780	46,239	255,019	107%
793	CORP YARD COMMISSION	7,346	130,200	173,208	124,845	9,551	134,396	78%
795	GEN. LIABILITY INSURANCE	-	427,700	427,700	492,816	-	492,816	115%
TOTAL INTERNAL SERVICE FUNDS		288,474	4,737,520	4,995,397	4,274,351	259,088	4,533,439	91%
AGENCY FUNDS								
841	MORGAN HILL BUS RANCH I	-	-	-	667,489	-	667,489	n/a
842	MORGAN HILL BUS RANCH II	-	-	-	57,647	-	57,647	n/a
843	MORGAN HILL BUS RANCH 98	655	893,395	893,395	869,100		869,100	97%
844	MH RANCH RSMNT 2004A	655	598,873	598,873	180,952	-	180,952	30%
845	MADRONE BP-TAX EXEMPT	655	800,730	800,730	1,185,879	-	1,185,879	148%
846	MADRONE BP-TAXABLE	655	175,480	175,482	321,143	-	321,143	183%
848	TENNANT AVE BUS PARK AD	-	-	-	-	-	-	n/a
881	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
TOTAL AGENCY FUNDS		2,620	2,468,478	2,468,480	3,282,210	-	3,282,210	133%
REPORT TOTAL		6,874,480	82,877,683	109,810,198	72,320,398	14,419,198	86,739,596	79%



YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
Operations								
Revenues								
Service Charges	\$ 5,459,000	\$ 5,284,179	97%	\$ 5,387,924	\$ 5,821,375	\$ 5,841,877	100%	\$ 6,413,116
Meter Install & Service					40,000	103,815	260%	35,960
Other	110,500	150,072	136%	90,974	279,688	758,326	271%	538,268
Total Operating Revenues	5,569,500	5,434,251	98%	5,478,898	6,141,063	6,704,018	109%	6,987,344
Expenses								
Operations	4,682,409	4,463,323	95%	4,397,865	4,750,307	4,808,991	101%	4,609,326
Meter Reading/Repair					637,156	646,348	101%	571,717
Utility Billing/Water Conservation					399,783	433,718	108%	354,443
Total Operating Expenses	4,682,409	4,463,323	95%	4,397,865	5,787,246	5,889,057	102%	5,535,486
Operating Income (Loss)	887,091	970,928		1,081,033	353,817	814,961		1,451,858
Nonoperating revenue (expense)								
Interest Income	59,437	96,233	162%	94,081	16,848	122,181	725%	51,516
Interest Expense/Debt Services	(573,410)	(572,296)	100%	(586,625)	(243,249)	(238,464)	98%	(298,016)
Principal Expense/Debt Services	(975,000)	(975,000)	100%	(1,115,000)	(310,296)	(217,962)	70%	(238,314)
Total Nonoperating revenue (expense)	(1,488,973)	(1,451,063)		(1,607,544)	(536,697)	(334,245)		(484,814)
Income before operating xfers	(601,882)	(480,135)		(526,511)	(182,880)	480,716		967,044
Operating transfers in	-	-		-	2,500,000	-		1,045,785
Operating transfers (out)	(220,000)	(220,000)	100%	(913,285)	(420,000)	(385,000)	92%	(573,090)
Net Income (Loss)	\$ (821,882)	\$ (700,135)		\$ (1,439,796)	\$ 1,897,120	\$ 95,716		\$ 1,439,739



City of Morgan Hill
Balance Sheets - Water and Sewer Funds
Preliminary For the Month of June 2005
100% of Year Completed

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	2,430,771	6,498,805	2,968,361	2,925,416
Restricted ¹	1,894,414	7,170,565	414,720	5,560,513
Accounts Receivable		8,371		588
Utility Receivables	628,604		829,614	
Less Allowance for Doubtful Accounts	(16,091)		(19,501)	
Notes Receivable ²		9,371	0	
Fixed Assets ³	31,101,346	11,110,295	24,500,752	10,533,791
Total Assets	<u>36,039,044</u>	<u>24,797,407</u>	<u>28,693,946</u>	<u>19,020,308</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	290,956	487,475	129,761	
Deposits for Water Services & Other Deposits			24,075	
Deferred Revenue ⁴				
Bonds Payable	24,275,000		5,830,437	
Discount on Bonds and Other Liabilities	(2,565,506)		(978,154)	
Accrued Vacation and Comp Time	53,325		91,552	
Total liabilities	<u>22,053,775</u>	<u>487,475</u>	<u>5,097,671</u>	<u>0</u>
FUND EQUITY				
Contributed Capital	7,735,831		14,356,292	
Retained Earnings				
Reserved for:				
Noncurrent water/sewer assets & debt	9,338,527	11,110,295	19,556,917	10,533,791
Encumbrances	60,872	1,182,392	723,164	2,558,971
Notes Receivable		9,371		
Restricted Cash	1,894,414		414,720	5,560,513
Total Reserved Retained Earnings	11,293,813	12,302,058	20,694,801	18,653,275
Unreserved Retained Earnings	2,691,456	12,007,874	2,901,474	367,033
Total Fund Equity	<u>13,985,269</u>	<u>24,309,932</u>	<u>23,596,275</u>	<u>19,020,308</u>
Total Liabilities and Fund Equity	<u>36,039,044</u>	<u>24,797,407</u>	<u>28,693,946</u>	<u>19,020,308</u>

¹ Restricted for Bond Reserve requirements and capital expansion.

² Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



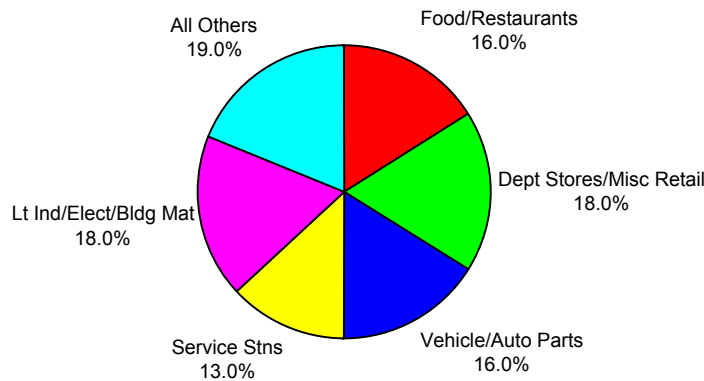
¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.
² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.
³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.
⁴ Includes the deferred payment portion of the loans noted above.
⁵ Designated as a general reserve.



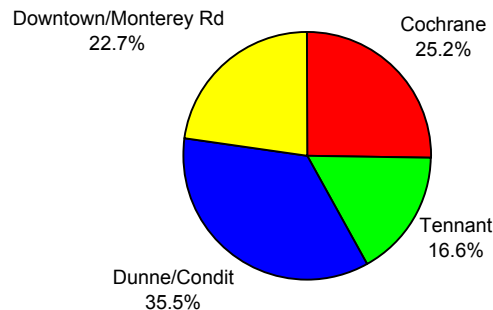
City of Morgan Hill
Sales Tax Comparison - Fiscal Year 2004/05
Preliminary For the Month of June 2005
100% of Year Completed

Month	Amount Collected for Month for Fiscal Year			Amount Collected YTD for Fiscal Year			Comparison of YTD for fiscal years	
	04/05	03/04	02/03	04/05	03/04	02/03	04/05 to 03/04	04/05 to 02/03
July	\$307,500	\$338,300	\$367,600	\$307,500	\$338,300	\$367,600	(30,800)	(60,100)
August	\$401,200	\$451,000	\$447,000	\$708,700	\$789,300	\$814,600	(80,600)	(105,900)
September	\$518,724	\$232,994	\$361,932	\$1,227,424	\$1,022,294	\$1,176,532	205,130	50,892
October	\$223,145	\$316,100	\$354,915	\$1,450,569	\$1,338,394	\$1,531,447	112,175	(80,878)
November	\$299,300	\$421,400	\$474,800	\$1,749,869	\$1,759,794	\$2,006,247	(9,925)	(256,378)
December	\$442,460	\$331,624	\$384,154	\$2,192,329	\$2,091,418	\$2,390,401	100,911	(198,072)
January	\$708,525	\$349,500	\$368,600	\$2,900,854	\$2,440,918	\$2,759,001	459,936	141,853
February	\$297,415	\$428,600	\$487,195	\$3,198,269	\$2,869,518	\$3,246,196	328,751	(47,927)
March	\$564,262	\$292,930	\$225,908	\$3,762,531	\$3,162,448	\$3,472,104	600,083	290,427
April	\$214,162	\$340,500	\$292,698	\$3,976,693	\$3,502,948	\$3,764,802	473,745	211,891
May	\$769,125	\$385,525	\$394,500	\$4,745,818	\$3,888,473	\$4,159,302	857,345	586,516
June	\$561,606	\$261,782	\$477,624	\$5,307,424	\$4,150,255	\$4,636,926	1,157,169	670,498
Year To Date Totals				\$5,307,424	\$4,150,255	\$4,636,926	\$1,157,169	\$670,498
Sales Tax Budget for Year				\$4,600,000	\$4,650,000	\$5,330,000		
Percent of Budget				115%	89%	87%		
Percent of increase(decrease)							28%	14%

**Sales Tax Distribution
by Business Segment
Second Quarter 2004**



**Sales Distribution
by Area
Second Quarter 2004**





CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

Agenda Item # 6

Prepared By:

**Council Services &
Records Manager/City
Clerk**

Submitted By:

City Manager

VOTING DELEGATE TO THE 2005 LEAGUE OF CALIFORNIA CITIES ANNUAL CONFERENCE

RECOMMENDED ACTIONS:

1. **Approve** appointment of Mayor Kennedy as the City's Voting Delegate and Mayor Pro Tempore Tate as the Alternate Voting Delegate to the League of California Cities' Annual Conference; and
2. **Direct** the City Clerk to Complete the Voting Delegate Form and **Forward** said form to the League of California Cities.

EXECUTIVE SUMMARY:

The League of California Cities will be holding its Annual Conference on Thursday, October 6 through Saturday, October 8 in San Francisco. At the Annual Conference, the League conducts its Annual Business Meeting where League Members take action on conference resolutions. These resolutions help guide cities and the League in its efforts to improve the quality, responsiveness and vitality of local government in California. The League's bylaws stipulate that each city is entitled to one vote on matters affecting municipal or League policy. The Annual Business meeting is scheduled for Saturday, October 8th at 10:30 a.m. at the San Francisco Moscone Convention Center West. The memorandum from the League of California Cities requesting the Designation of a Voting Delegate for the League's Annual Conference is attached to the staff report.

It has been the City Council's past practice to appoint the Mayor as the primary voting delegate and the Mayor Pro Tempore as the alternate voting delegate. Therefore, Mayor Kennedy is recommending that he be assigned the responsibility of being the City's Voting Delegate and that Mayor Pro Tempore Tate be appointed to serve as the alternate voting delegate to the League's Annual Conference. However, he states his willingness to entertain a motion to have another Council member appointed as the primary voting delegate if there is such an interest. He further recommends that staff be directed to submit the Council's appointments to the League of California Cities.

FISCAL IMPACT: No fiscal impact.



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

ANNEXATION APPLICATION, ANX-01-04: CLAYTON-MERLANO

RECOMMENDED ACTION(S):

1. Adopt Resolution approving Annexation.

EXECUTIVE SUMMARY:

This application is a request to annex a parcel totaling 5.29 acres into the City of Morgan Hill. The project site is located on the east side of Clayton Avenue and south side of Peebles Avenue. The site is surrounded on five sides by the existing City Limits. Therefore, inclusion of the parcel into the City would represent a logical adjustment of the City's Boundary.

The project site is located within the City's Urban Service Boundary. Existing water and sewer lines are available within the site vicinity, and are of sufficient size to service future developments of the site. The project site is also within the established response time standard for fire service.

On June 10, 2003, the Planning Commission voted unanimously (7-0) to recommend approval of the annexation, zoning amendment and general plan amendment. A copy of the Planning Commission staff report and meeting minutes are attached as background information.

On July 16, 2003, the City Council voted unanimously (5-0) to approve the following:

- A General Plan amendment to change the land use from Rural County to Single Family Low Residential,
- Prezoned parcels 726-36-045 and 726-37-006 R-1 20,000.

The annexation was not forwarded to the Council until the annexation map and legal description was certified by the County Surveyor's Office and County Assessor's Office, and until a pre-annexation agreement had been executed. A copy of the City Council staff report and meeting minutes are attached for Council's reference.

It should be noted that this annexation has received 100 % property owner consent so a public hearing is not required.

FISCAL IMPACT: None. Filing fees were paid to the City to cover the cost of processing this application.

Agenda Item # 7

Prepared By:

**Planning Intern
Approved By:**

**Community
Development Director**

Submitted By:

City Manager

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL MAKING DETERMINATIONS AND APPROVING THE REORGANIZATION OF CERTAIN TERRITORY DESIGNATED “CLAYTON ANNEXATION NO. 2”, APPROXIMATELY 5.29 ACRES LOCATED ON THE EAST SIDE OF CLAYTON AVENUE AND SOUTH SIDE OF PEEBLES AVENUE, AND WITHDRAWAL OF SAID TERRITORY FROM THE SOUTH SANTA CLARA COUNTY FIRE PROTECTION DISTRICT. (APN 726-36-045, 726-36-060 AND 728-37-008)

WHEREAS, a written petition has been filed in the office of the City Clerk of the City of Morgan Hill in accordance the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, annexing into the City of Morgan Hill certain territory located in the County of Santa Clara, State of California, designated as “Clayton Annexation No. 2” and as shown and described in attached Exhibits A, B & C, incorporated herein by reference; and

WHEREAS, said petition has been signed and consented to by George Merlano, the owners of the land in the territory proposed to be annexed; and

WHEREAS, Government Code Section 56663(a) provides that if a petition for annexation is signed by all owners of land within the affected territory, the City Council may approve or deny the annexation without public hearing; and

WHEREAS, evidence was presented to the City Council;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, RESOLVES AS FOLLOWS:

SECTION 1: The City Council of the City of Morgan Hill is the conducting authority pursuant to Section 56757 of the Government Code for the annexation of property designated “Clayton Annexation No. 2”, more particularly described in Exhibits “A” and “B”;

SECTION 2: Pursuant to Sections 56800 and 56828 of the California Government Code, the City Council of the City of Morgan Hill hereby annexes to the City of Morgan Hill the uninhabited territory particularly described in the attached Exhibit “A”, which is incorporated herein by reference, and hereby designated as “Clayton Annexation No. 2”.

SECTION 3: The territory is hereby detached from the South Santa Clara County Fire Protection District in accordance with Section 13952 of the California Health and Safety Code (APN 726-36-045, 726-36-060 AND 728-37-008).

SECTION 4: The following Findings are made by the City Council of the City of Morgan Hill:

- a. The said territory is uninhabited and comprised of approximately 5.29 acres.
- b. The said territory is within the City's Urban Service Area as adopted by the Local Agency Formation Commission of Santa Clara County.
- c. The annexation is consistent with the orderly annexation of territory within the City's Urban Service Area and is consistent with the City policy of annexing when all city services can be provided.
- d. An expanded environmental initial study has been prepared for this application and has been found complete, correct and in substantial compliance with the requirements of California Environmental Quality Act. A Mitigated Negative Declaration has been filed.
- e. The County Surveyor has determined the boundaries of the proposed annexation to be definite and certain, and in compliance with the Commission's road annexation policies.
- f. The said territory is within the City's Urban Growth Boundary.
- g. The proposed annexation does not create islands or areas in which it would be difficult to provide municipal services.
- h. The proposed annexation does not split lines of assessment or ownership.
- i. The proposed annexation is consistent with the General Plan.
- j. The said territory to be annexed is contiguous to existing City limits.
- k. The Planning Commission on June 10, 2003, enacted Resolution No. 03-45 recommending the alteration of the boundaries of the City of Morgan Hill by annexation of Clayton Annexation No. 2 and withdrawal of said territory from the South Santa Clara County Fire Protection District.
- l. The Planning Commission on June 10, 2003, enacted Resolution No. 03-45 recommending reorganization of the subject territory.
- m. The City has complied with all conditions for annexation imposed by the Planning Commission.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Special Meeting held on the 27th Day of July, 2005 by the following vote.

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

🦉 CERTIFICATION 🦉

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Special Meeting held on July 27, 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2004

CAPITAL IMPROVEMENT PROGRAM FUNDING FOR REGIONAL SOCCER COMPLEX

RECOMMENDED ACTION:

1. **Receive recommendation** from the Parks and Recreation Commission that CIP funds designated for assisting construction of a regional soccer complex at Sobrato High School be reallocated to the Outdoor Sports Complex project.

EXECUTIVE SUMMARY:

The City Council designated \$980,000 in the 2005/06 Capital Improvement Program (CIP) to assist with development of a regional soccer complex at Sobrato High School. After the 2005/06 CIP was prepared, the board of the San Jose Soccer Complex Foundation notified the City that they were no longer pursuing development of a regional soccer complex at the Sobrato site.

At the Council's June 22, 2005 meeting, the Council agreed to discuss on a future date re-programming the funds designated for the regional soccer complex.

At the July 19, 2005 Parks and Recreation Commission meeting, the Commission unanimously voted to recommend that the funding established for the regional soccer complex be assigned to the Outdoor Sports Complex. Commission members suggested this could reduce, or eliminate, the need for sports groups' contributions to the Complex and enable some work associated with Phase 2 of the Complex construction to move forward.

FISCAL IMPACT:

Reprogramming funding from the regional soccer complex to the Outdoor Sports Complex would add \$980,000 to that project.

The Council's Community and Economic Development Committee is preparing recommendations on a reallocation of all available remaining Redevelopment Agency funds.

Agenda Item #8

Prepared By:

Acting Rec. & Comm.
Svc. Manager

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: JULY 27, 2005

APPROVAL OF SUBDIVISION IMPROVEMENT AGREEMENT WITH SANJAR AND SHARAREH CHAKAMIAN (APN 764-14- 004)

RECOMMENDED ACTION(S):

- 1) Approve subdivision agreement and improvement plans
- 2) Authorize the City Manager to sign the Subdivision Improvement Agreement on behalf of the City
- 3) Authorize the recordation of the map and the Subdivision Improvement Agreement following recordation of the Development Improvement Agreement

EXECUTIVE SUMMARY: This is a 2 residential subdivision located at the southwest corner of the Del Monte Avenue and Wright Avenue intersection (see attached location map). The subdivider has filed a Subdivision Map and supporting documents for the subdivision known as Lands of Chakamian. The Tentative Subdivision Map was approved on June 30, 2004 by the City's Community Development Department. A condition of approval of the Parcel Map was that certain improvements be installed by the Subdivider as shown on the approved Subdivision Improvement Plans for assessor's parcel number 764-14-004.

The developer has furnished the City with the necessary documents to complete the processing of the Parcel Map and has made provision with the City to provide bonds guaranteeing the completion of public improvements prior to recordation of the Parcel Map. Staff recommends that City Council approve the Subdivision Improvement Agreement and authorize the City Manager to sign on behalf of the City.

The developer has furnished the City with the necessary documents to complete the processing of the Parcel Map and has made provision with a Title Company to provide the City with the required fees, insurance and bonds prior to recordation of the Parcel Map.

FISCAL IMPACT: Development review for this project is from development processing fees.

Agenda Item # 9

Prepared By:

Senior Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT
MEETING DATE: JULY 27, 2005

**REJECTION OF BIDS FOR THE BUTTERFIELD WELL
PUMP STATION PROJECT**

RECOMMENDED ACTION(S):

1. Reject the bids received on July 13, 2005 for the construction of the Butterfield Well Pump Station.
2. Authorize staff to re-bid the project.

EXECUTIVE SUMMARY:

On July 7, 2004, City Council authorized emergency well drilling. A well with a temporary pump station was constructed at the Butterfield Boulevard and Central Avenue location and is currently in operation.

The scope of work for this project includes constructing a security building to protect the Butterfield well pump station. Work includes constructing foundations, block building with removable roof, motor control center, electrical work and chemical system. The exterior of the building has been designed by Scott Schilling's architect to match the design of the houses in the subdivision. Refer to Exhibit A for location map.

The bid opening was held on July 13, 2005 and the bids received are as listed below.

Trinet Construction Inc.	\$754,000
Pacific Infrastructure	\$848,160

The advertised engineer's estimate for this project was \$370,000. Because of the large discrepancy between the low bid amount and the engineer's estimate, staff is recommending that the bids be rejected and the project re-bid. The bid results were significantly out of line from recent similar water well projects and staff has determined that several factors played into the bidding anomaly. Among these are the cost of escalating construction, a lack of interest on the part of key subcontractors, and the timing placed on construction completion. Staff intends to address these issues as well as review potential value engineering efforts before re-bidding the project.

FISCAL IMPACT: None.

Agenda Item #10

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

COUNCIL RESOLUTION SUPPORTING GRANT FUNDING FOR PREPARATION OF A “TRAILS AND NATURAL RESOURCES STUDY”

RECOMMENDED ACTION(S):

1. Approve the attached Resolution supporting TDA Article 3 grant funding for the preparation of a “Trails and Natural Resources Study”.
2. Appropriate funds of \$4,000 from the City’s current year’s un-appropriated Street Fund Balance.

EXECUTIVE SUMMARY: On March 23, 2005, the Santa Clara Valley Transportation Authority (VTA) released a Call for Projects for the Transportation Development Act (TDA) Article 3 Program funding cycle. The TDA funding opportunity is intended for bicycle and pedestrian use. More specifically, project eligibility includes; bicycle parking, maintenance of Class I and Class II facilities, safety education programs, and bicycle comprehensive plans.

The Bicycle Trails Advisory Committee recommended submitting for a Trails and Natural Resource Study to identify locations where trails may be established adjacent to creeks and streams. This study would compliment the City’s Bikeways Master Plan. On April 11, 2005, Staff submitted an application for this request. Refer to Attachment II.

A Council Resolution in support of this project and match requirements are required in order to obtain funding from the VTA TDA Article 3 program.

FISCAL IMPACT: The City will be responsible for a match of \$4,000. Staff recommends that Council appropriate these funds from our current year’s un-appropriated Street Fund Balance.

Agenda Item #11

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

RESOLUTION NO.

**COUNCIL RESOLUTION SUPPORTING GRANT FUNDING
FOR PREPARATION OF A “TRAILS AND NATURAL
RESOURCES STUDY”**

WHEREAS, Article 3 of the Transportation Development Act (TDA), Public Utilities Code (PUC) Section 99200 et seq., authorizes the submission of claims to a regional transportation planning agency for the funding of projects exclusively for the benefit and/or use of pedestrians and bicyclists; and

WHEREAS, the Metropolitan Transportation Commission (MTC), as the regional transportation planning agency for the San Francisco Bay region, has adopted MTC Resolution No. 875, Revised, entitled “Transportation Development Act, Article 3, Pedestrian/Bicycle Projects,” which delineates procedures and criteria for submission of requests for the allocation of “TDA Article 3” funding; and

WHEREAS, MTC Resolution No. 875, Revised requires that requests for the allocation of TDA Article 3 funding be submitted as part of a single, countywide coordinated claim from each county in the San Francisco Bay region; and

WHEREAS, the **CITY OF MORGAN HILL** desires to submit a request to MTC for the allocation of TDA Article 3 funds to support the project described in this resolution, which is for the exclusive benefit and/or use of pedestrians and/or bicyclists; now, therefore, be it.

RESOLVED, that the **CITY OF MORGAN HILL** declares it is eligible to request an allocation of TDA Article 3 funds pursuant to Section 99234 of the Public Utilities Code, and furthermore, be it

RESOLVED, that there is no pending or threatened litigation that might adversely affect the project or projects described in this resolution, or that might impair the ability of the **CITY OF MORGAN HILL** to carry out the project; and furthermore, be it

RESOLVED, that the **CITY OF MORGAN HILL** attests to the accuracy of and approves the statements in Attachment I to this resolution; and furthermore, be it

RESOLVED, that a certified copy of this resolution and its attachments, and any accompanying supporting materials shall be forwarded to the congestion management agency, countywide transportation planning agency, or county association of governments, as the case may be, of **COUNTY OF SANTA CLARA** for submission to MTC as part of the countywide coordinated TDA Article 3 claim.

PASSED AND ADOPTED by the City Council of the City of Morgan Hill at its regular meeting of July 27, 2005, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CERTIFICATION

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. _____. Adopted by the City Council at the Regular City Council Meeting of July 27, 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

RESOLUTION NO.

Attachment I

COUNCIL RESOLUTION SUPPORTING GRANT FUNDING FOR PREPARATION OF A “TRAILS AND NATURAL RESOURCES STUDY”

Findings

Page 1 of 1

1. That the **CITY OF MORGAN HILL** is not legally impeded from submitting a request to the Metropolitan Transportation Commission for the allocation of Transportation Development Act (TDA) Article 3 funds, nor is the **CITY OF MORGAN HILL** legally impeded from undertaking the project(s) described in “Attachment II” of this resolution.
2. That the **CITY OF MORGAN HILL** has committed adequate staffing resources to complete the project(s) described on Attachment II.
3. A review of the project(s) described in Attachment II has resulted in the consideration of all pertinent matters, including those related to environmental and right-of-way permits and clearances, attendant to the successful completion of the project(s).
4. Issues attendant to securing environmental and right-of-way permits and clearances for the projects described in Attachment II have been reviewed and will be concluded in a manner and on a schedule that will not jeopardize the deadline for the use of the TDA funds being requested.
5. That the project(s) described in Attachment II comply with the requirements of the California Environmental Quality Act (CEQA, Public Resources Code Sections 21000 et seq.), and that the **CITY OF MORGAN HILL** is in possession of the document(s) supporting such compliance, said document(s) having been made available to for public review and stamped by the County Clerk or County Recorder of the county in which the claimant is located.
6. That as portrayed in the budgetary description(s) of the project(s) in Attachment II, the sources of funding other than TDA are assured and adequate for completion of the project(s).
7. That the project(s) described in Attachment II are for capital construction and/or design engineering; and/or for the maintenance of a Class I bikeway which is closed to motorized traffic; and/or for the purposes of restriping Class II bicycle lanes; and/or for the development or support of a bicycle safety education program; and/or for the development of a comprehensive bicycle and/or pedestrian facilities plan, and an allocation of TDA Article 3 funding for such a plan has not been received by the **CITY OF MORGAN HILL** within the prior five fiscal years.
8. That the project(s) described in Attachment II which are bicycle projects have been included in a detailed bicycle circulation element included in an adopted general plan, or included in an adopted comprehensive bikeway plan (such as outlined in Section 2377 of the California Bikeways Act, Streets and Highways Code section 2370 et seq.).
9. That any project described in Attachment II that is a “Class I Bikeway,” meets the mandatory minimum safety design criteria published in Chapter 1000 of the California Highway Design Manual.
10. That the project(s) described in Attachment II are ready to commence implementation during the fiscal year of the requested allocation.
11. That the **CITY OF MORGAN HILL** agrees to maintain, or provide for the maintenance of, the project(s) and facilities described in Attachment II, for the benefit of and use by the public.



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

COMMUNITY CHOICE AGGREGATION UPDATE

RECOMMENDED ACTION(S):

1. Accept the Update Report from the Utilities and Environment Subcommittee
2. Direct the City Manager to Solicit Potential Aggregation Partners from Other Cities in Santa Clara County

EXECUTIVE SUMMARY: Consistent with the City Council's Adopted Goals for 2005, the Utilities and Environment Subcommittee is studying the potential of pursuing "Community Choice Aggregation" for the community. In these systems, a community aggregates the demand for electricity in an area, purchases the electricity, and allows the existing utility to deliver it.

The Subcommittee has determined three things at this time. First, the State Public Utilities Commission (PUC) has not yet finalized the rulemaking for this program and engaging in expensive analyses at this time is not prudent. Second, the cost to determine whether or not it makes sense for the community to pursue aggregation will be approximately \$200,000. Third, ultimately having other cities as partners in an aggregation venture is advisable as the costs of the analyses can be spread out and the ultimate amount of electricity purchased will be higher which reduces the price per watt purchased.

The Subcommittee recommends that staff continue to update the Subcommittee on the PUC rulemaking and that the Council direct the City Manager to solicit potential partners from other jurisdictions in Santa Clara County.

FISCAL IMPACT:

No budget adjustment is requested at this time, but this project has not been included in staff work plans.

Agenda Item # 12

Prepared By:

Program Administrator

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

ACCEPTANCE OF PARADISE PARK PLAY EQUIPMENT REPLACEMENT PROJECT

RECOMMENDED ACTION(S):

- 1) Accept as complete the Paradise Park Play Equipment Project in the final amount of \$79,990
- 2) Direct the City Clerk to file the attached Notice of Completion with the County Recorder's office.

Agenda Item # 13

Prepared By:

**Dep Dir PW
Operations**

Approved By:

Public Works Director

Submitted By:

City Manager

EXECUTIVE SUMMARY: The Paradise Park Play Equipment Replacement Project contract was awarded to Bellicitti & Pellicciotti Construction Company Inc. by Council at its June 16, 2004 meeting. This project took an exceptionally long time to complete due to delays on the contractor's part in providing the City the required insurance documents and arranging payment and delivery of the play equipment with its vendor.

The project actually started in December of 2004. The project was substantially complete in April of 2005, but again due to delays on the contractor's part in completing the punch list of corrective items and providing a maintenance bond as required, staff was not able to recommend final acceptance to Council until now.

All requirements of the contract have now been met by the contractor. Staff recommends final acceptance of the project. A Grand Opening event was held at the park on April 30, 2005. 15-20 residents of the local neighborhood attended, and many enjoyed the play equipment while the event took place.

FISCAL IMPACT: This project was funded by a State of California Department of Recreation Per Capita Grant. The source of the funds was Proposition 12.

Record at the request of
and when recorded mail to:

CITY OF MORGAN HILL
CITY CLERK
17555 Peak Avenue
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION
CITY OF MORGAN HILL
PARADISE PARK PLAY EQUIPMENT REPLACEMENT PROJECT

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, on the 23rd day of September 2004, did file with the City Clerk of said City, the contract for performing work which was heretofore awarded to Bellicitti & Pellicciotti Construction Company Inc., on June 16, 2004, in accordance with the plans and specifications for said work filed with the City Clerk and approved by the City Council of said City.

That said improvements were substantially completed on June 30, 2005, accepted by the City Council on July 27, 2005, and that the name of the surety on the contractor's Maintenance Bond to guarantee all work is Merchants Bonding Company.

That said improvements consisted of the construction and installation of all items of work provided to be done in said contract, all as more particularly described in the plans and specifications therefor approved by the City Council of said City.

Name and address of Owner: City of Morgan Hill
 17555 Peak Avenue
 Morgan Hill, California

Dated: _____, 2005.

Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk
City of Morgan Hill, CA
Date: _____



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

Agenda Item # 14

Prepared By:

**Community
Development
Director**

Submitted By:

City Manager

CITY COUNCIL POLICY REGARDING LAND USE NEAR STREAMS AND WATERWAYS

RECOMMENDED ACTION(S): By motion, approve the proposed City Council Policy.

EXECUTIVE SUMMARY:

One of the City Council goals adopted March 2, 2005 was for the Planning Commission to submit a work plan by April 2005 which included development of regulations for integrating creeks and streams into subdivisions. This goal was accomplished when the Planning Commission included a work plan within the overall work plan submitted to the City Council as part of the budget process. The adopted FY Budget and Work Plans therefore include this effort. The "Regulations for Land Use Near Streams" Work Plan calls for the Planning Division to continue to participate in the Water Resources Protection Collaborative, led by the Santa Clara Valley Water District and including all of the Santa Clara Valley jurisdictions. The Work Plan anticipates that the Collaborative will complete its draft work products by August 15, 2005, including Draft Guidelines and Standards for land use near streams, a User's Manual, and Implementing Materials. The City of Morgan Hill Planning Division and Planning Commission will use these draft Guidelines and Standards in developing regulations to include in the Morgan Hill General Plan and Municipal Code. The Work Plan anticipates adoption of regulations for Morgan Hill during FY 2005/06.

In the time before Morgan Hill regulations are adopted, the Utilities and Environment Council Subcommittee is recommending that the City Council adopt the attached Policy for Land Use Near Streams and Waterways. The policy will provide guidance to developers, with the intention that proposed developments are designed to preserve and integrate streams and waterways and associated habitats. New development is not to wall itself off from a waterway, but is to consider it a natural and/or recreational asset. The policy encourages provision of trails, pedestrian pathways and bikeways where appropriate, and indicates that riparian areas should be restored, as feasible. The policy applies to all streams and waterways in Morgan Hill which have value as natural and/or recreational resources.

FISCAL IMPACT: None.

CITY OF MORGAN HILL

CITY COUNCIL POLICIES AND PROCEDURES

SUBJECT: POLICY FOR LAND USE NEAR STREAMS AND WATERWAYS

EFFECTIVE DATE: JULY 27, 2005

INTRODUCTION:

The Community Development Department Work Plan for Fiscal Year 2005-06 includes the development and adoption of City policies and regulations for land use near streams and waterways, including stream/habitat protection measures. Until these policies and regulations are adopted, the following interim City Council policy shall apply to new development adjacent to streams and waterways.

POLICY:

New development adjacent to streams and waterways shall be designed to preserve and integrate the waterways and associated habitats. New development should respect the water resource as an asset to the development, and shall not wall off the stream or waterway. New development shall incorporate open space buffers adjacent to waterways, in order to protect the stream and the existing/potential natural resources and habitats contained therein. Trails, pedestrian pathways and/or bikeways should be included within the open space buffer, either as reflected in the City's Park and Bikeways Master Plan or when reasonable and appropriate. Conditions of approval may be imposed to require restoration of riparian habitat, as feasible.

This policy shall apply to land adjacent to streams and waterways which have value as natural and/or recreational resources, including Llagas, West Little Llagas, Edmundson, Fisher, Tennant, Corralitos and Coyote Creeks, as well as the Madrone and Butterfield Channels.



CITY COUNCIL STAFF REPORT

MEETING DATE: JULY 27, 2005

AWARD CONTRACT FOR CONSTRUCTION OF PEDESTRIAN CROSSING IMPROVEMENTS AT MONTEREY ROAD AND CENTRAL AVENUE

RECOMMENDED ACTION(S): To be presented at the meeting.

EXECUTIVE SUMMARY: The City applied for and received grant funds from the 2004-2005 Safe Routes to School program to improve the crosswalks on Monterey Road at Central Avenue, adjacent to Britton Middle School. The proposed scope of work will consist of constructing sidewalk bulb-outs on Monterey Road, installing a median on Monterey Road south of Central Avenue, and re-striping existing crosswalks, including additional traffic warning signs, installing handicap ramps, and installing two radar speed displays. The City was awarded \$184,000 in grant funding to complete the project. Refer to Exhibit A for project location map.

In order to get the project under construction as soon as possible, Staff will open bids on July 26, 2005 and then present a supplemental Staff Report at the time of the Council meeting with a recommendation of award to lowest responsible bidder. The engineer's estimate for this project is \$120,000.

FISCAL IMPACT: To be presented with supplemental staff report.

Agenda Item # 15

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: JULY 27, 2005

DEVELOPMENT AGREEMENT DA 04-09 / ZONING AMENDMENT ZA-04-21: E. Dunne-Delco

RECOMMENDED ACTIONS:

1. Open/close Public Hearing
2. Waive the First and Second Reading of Zoning Amendment Ordinance
3. Introduce Zoning Amendment Ordinance
4. Waive the First and Second Reading of Development Agreement Ordinance
5. Introduce Development Agreement Ordinance

EXECUTIVE SUMMARY: The applicant is requesting approval of a zoning amendment which will establish a precise development plan for a 78 unit single family project, and a Development Agreement governing the first 34 units of the 78 unit project. The project is located at the southwest corner of East Dunne Avenue and San Benancio Way.

The current zoning designation for the project area is R-2 3,000. Approval of the zoning amendment would establish a precise development plan for the current 36 lot (34 allocations + 2 replacement units) subdivision and change the zoning map designation to R-2 3,000/RPD. The precise development plan is recommended for approval because it will allow for a reduction of the minimum lot size requirement in exchange for increased setbacks from Dunne Ave., the creation of over 1.5 acres of park/open space area and the commitment of 13 percent of the units to the below market rate housing program plus another 10 percent as moderate rate units.

The Planning Commission recommended the following amendments to the proposed RPD: (1) A requirement that internal roads be 40 feet curb to curb with a 52 foot right of way to accommodate any cut-through traffic that may occur as a result of the project; (2) A phasing plan (to be reviewed by staff) which clearly defines the individual phases, with each phase to contain its proportional share of BMR and Moderate rate units, and to specify the on and off site improvements to be completed per phase; (3) Increase the park area and park improvements in phase I (34 units) to a minimum of 1 acre, landscaped and containing at least one tot lot. These recommended amendments are reflected in the approval documents.

The proposed Development Agreement formalizes commitments made in Measure "P" application MP-02-06/04-12: E. Dunne-Dempsy. The project was awarded 8 building allotments for Fiscal Year 2005-06, 13 allotments for Fiscal Year 2006-07, 5 allotments for 2007-08 and 8 allotments for 2008-09. The project development schedule is attached to the development agreement as exhibit B and the project RDSCS commitments are contained within paragraph 14.

The Planning Commission approved, with the recommended amendments, the Subdivision, Zoning Amendment and Development Agreement applications on June 28, 2005. The Commission voted 6-0 to recommend approval of the zoning amendment and development agreement request. A copy of the June 28 staff report and minutes are attached for Council's reference.

FISCAL IMPACT: None. Filing fees were paid to the City to cover the cost of processing this application.

Agenda Item # 16

Prepared By:

Senior Planner

Approved By:

**Community
Development Director**

Submitted By:

City Manager

ORDINANCE NO. , NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN R-2/RPD ZONING AMENDMENT TO ESTABLISH A RESIDENTIAL PLANNED DEVELOPMENT OVERLAY ON A 10.44 ACRE SITE LOCATED ON THE SOUTHWEST CORNER OF EAST DUNNE AVENUE AND SAN BENANCIO WAY. (APNs 817-11-067 & 817-11-072)

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAINS AS FOLLOWS:

SECTION 1. The proposed zoning amendment is consistent with the Zoning Ordinance and the General Plan.

SECTION 2. The zone change is required in order to serve the public convenience, necessity and general welfare as provided in Section 18.62.050 of the Municipal Code.

SECTION 3. An environmental initial study has been prepared for this application and has been found complete, correct and in substantial compliance with the requirements of California Environmental Quality Act. A mitigated Negative Declaration will be filed.

SECTION 4. The City Council finds that the proposed R-2 RPD Overlay District is consistent with the criteria specified in Chapter 18.18 of the Morgan Hill Municipal Code.

SECTION 5. The City Council hereby approves a precise development plan as contained in that certain series of documents dated June 9, 2005 (date of receipt by the Community Development Department) on file in the Community Development Department, entitled "Jasper Park: Site Development Plan" prepared by MH Engineering, and as amended as follows:

- (1) Internal roads shall be 40 feet curb to curb with a 52 foot right of way.
- (2) Increase the park area and park improvements in phase I (34 units) to a minimum of 1 acre, landscaped and containing at least one tot lot.

These documents, as further amended by site and architectural review, show the exact location and sizes of all lots in this development and the location and dimensions of all proposed buildings, vehicle and pedestrian circulation ways, recreational amenities, parking areas, landscape areas and any other purposeful uses on the project.

SECTION 6. Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 7. Effective Date Publication. This ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the special meeting of the City Council of the City of Morgan Hill held on the 27th Day of July 2005, and was finally adopted at a regular meeting of said Council on the Day of August 2005, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

⌘ CERTIFICATE OF THE CITY CLERK ⌘

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. , New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the Day of August 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

ORDINANCE NO. , NEW SERIES

**AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF MORGAN HILL APPROVING DEVELOPMENT
AGREEMENT, DA 04-09 FOR APPLICATION MP-02-06:
EAST DUNNE - DEMPSEY & MP-04-12: EAST DUNNE -
DELCO (APNs 817-11-067 & 817-11-072)**

**THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY
ORDAIN AS FOLLOWS:**

SECTION 1. The City Council has adopted Resolution No. 4028 establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Municipal Code.

SECTION 2. The California Government Code Sections 65864 thru 65869.5 authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.

SECTION 3. The Planning Commission, pursuant to Chapter 18.78.125 of the Morgan Hill Municipal Code, awarded a total of 34 building allocations for the project as follows:

<u>Project</u>	<u>Total Dwelling Units</u>
MP-02-06: E. DUNNE – DEMPSEY	
FY 2005-06	8 allotments
FY 2006-07	13 allotments
MC-04-12: E. DUNNE - DELCO	
FY 2007-08	5 allotments
FY 2008-09	8 allotments

SECTION 4. References are hereby made to certain Agreements on file in the office of the City Clerk of the City of Morgan Hill. These documents to be signed by the City of Morgan Hill and the property owner set forth in detail and development schedule, the types of homes, and the specific restrictions on the development of the subject property. Said Agreement herein above referred to shall be binding on all future owners and developers as well as the present owners of the lands, and any substantial change can be made only after further public hearings before the Planning Commission and the City Council of this City.

SECTION 5. The City Council hereby finds that the Residential Development Agreement and Development Proposal approved by this ordinance are compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill.

SECTION 6. Authority is hereby granted for the City Manager to execute all development agreements approved by the City Council during the Public Hearing Process.

SECTION 7. Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 8. Effective Date Publication. This ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the special meeting of the City Council of the City of Morgan Hill held on the 27th Day of July 2005, and was finally adopted at a regular meeting of said Council on the Day of August 2005, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. , New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the Day of August 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2004

Agenda Item # 17

Prepared By:

Acting Rec. & Comm.
Svc. Manager

Submitted By:

City Manager

ASSESSMENT OF HAZARDOUS VEGETATION MANAGEMENT PROGRAM CHARGES

RECOMMENDED ACTION:

1. **Open/Close** Public Hearing.
2. **Adopt Resolution** ordering the Final Report on the 2005 Hazardous Vegetation Program be transmitted to the County Assessor's Office and that liens be posted against the properties on the report.

EXECUTIVE SUMMARY:

Since 1995, the City's Hazardous Vegetation Management Program has been administered through a contract with Santa Clara County. The County's Department of Agriculture and Resource Management identifies properties in Morgan Hill with hazardous vegetation and/or brush and notifies the property owners. The property owners are given a specific timeline to remove the vegetation, and if they do not, a contractor selected by the County removes the vegetation. The cost for the abatement is then passed on to the owner as an assessment on their property tax bill.

Two hundred ninety five parcels in Morgan Hill were included in the 2005 Hazardous Vegetation Program. According to the County Department of Agriculture and Resource Management, the County contractor abated 27 parcels of land this year. Those parcels are listed in Exhibit A. Ninety-one percent of properties in the Program were abated by the property owner.

The purpose of the public hearing is to hear comments by property owners about the Hazardous Vegetation Program. Staff from the Department of Agriculture and Resource Management will be available to answer any questions.

Following the public hearing, the final stage in the 2005 Hazardous Vegetation Abatement Program is for the Council to order that the abatement expenses be assessed against the owners' property tax bill. This is accomplished by adopting the attached resolution. The resolution authorizes the transmission of the Final Report to the County Assessor's Office, and requests that liens be posted against the properties on the report. This action must be complete before August 10, 2005.

FISCAL IMPACT:

The Hazardous Vegetation Management Program is user fee supported. The per-lot assessment includes costs for doing the vegetation and brush control work plus the overhead cost to administer the Program.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ORDERING THE FINAL REPORT ON THE 2005 HAZARDOUS VEGETATION PROGRAM BE TRANSMITTED TO THE COUNTY ASSESSOR'S OFFICE AND THAT LIENS BE POSTED AGAINST THE PROPERTIES ON THE REPORT.

Whereas the City Council, on the 27th day of July 2005, confirmed the Santa Clara County Department of Agriculture and Resource Management's Final Report on the 2005 Hazardous Vegetation Program; and

Whereas this report identifies properties in Morgan Hill where hazardous weed and brush abatement was conducted by the Department's contractor in accordance with the 2005 Hazardous Vegetation Program; and

Whereas property owners listed on the Final Report were notified of the public hearing conducted on July 27, 2005; and

Whereas properties requiring abatement by the Department's contractor are to be assessed the abatement cost via a lien on their property taxes;

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Morgan Hill that the Final Report on the 2005 Hazardous Vegetation Program, attached hereto as "Exhibit A," be transmitted to the Santa Clara County Assessors Office and that the Santa Clara County Assessors Office post a lien against the properties on this list in accordance with the appropriate statutes.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Special Meeting held on the 27th Day of July, 2005 by the following vote.

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

☞ CERTIFICATION ☞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Special Meeting held on July 27, 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

2005 Hazardous Vegetation Management Program

ATTACHMENT A

Assessment Report

City of Morgan Hill

Situs			APN	OWNER ADDRESS		TAX ROLL AMT		
1	55	4th	726-13-042	Glenrock Builders Inc	Po Box 910	MORGAN HILL	95038-0910	\$984.38
2			726-22-051	Prosperity Investments	14900 Vinter Court	SARATOGA	95070	\$650.00
3	895	Cochrane	726-33-024	In-n-out Burgers	13502 Hamburger Ln	BALDWIN PARK	91706	\$281.25
4		Rose	726-36-007	Magincalda Leroy J Et Al	Po Box 161	LOS BANOS	93635-0161	\$421.88
5		Peebles	726-36-014	Murray, Scott	720 San Marcos Ct.	MORGAN HILL	95037	\$1,687.50
6	1165	Taylor	726-36-020	Kalend Walter E	2933 Arguello Dr	BURLINGAME	94010-5801	\$900.00
7	17237	Sandalwood	728-11-027	Nelsen Karen	1575 Sterling Oaks Ct	MORGAN HILL	95037-9671	\$1,406.25
8	17055	Oak Leaf	729-05-017	Sachara Eugene F And Betty J	1160 Third St	GILROY	95020-5304	\$421.88
9	16595	Oak View	729-11-003	Mendizabal Albert And Bette C	13578 Marmont Wy	SAN JOSE	95127-3734	\$650.00
10	16335	Jackson Oaks	729-18-015	Marin Theresa J Trustee	1005 Summerview Dr	SAN JOSE	95132-2951	\$650.00
11	16325	Jackson Oaks	729-18-016	Adorno Frank Iii And Stephanie V	4898 Wellington Dr	SAN JOSE	95136	\$650.00
12	15950	Jackson Oaks	729-24-038	David M. Warda	328a Casa Loma Rd	Morgan Hill	95037	\$650.00
13	17290	Lake View	729-34-010	Stahara Jacqueline M And Stephen S	10432 Noel Av	CUPERTINO	95014-1249	\$650.00
14		Black Oak	764-03-017	Tully Louis J And Susan S	7151 Via Romera	SAN JOSE	95139-1158	\$1,125.00
15	2105	Rocky Ridge	764-03-024	Mayelian Harry And Mabel Trustee	27519 Alta Knoll Dr	SANTA CLARITA	91350-1900	\$562.50
16	18025	Woodland	764-03-030	Huynh Minh And Bichcau	14934 Jeanette Ln	SAN JOSE	95127-2533	\$281.25
17		(land Only)	764-28-007	Davidson Charles W And Anita	255 W Julian St Ste 200	SAN JOSE	95110-2406	\$2,531.25
18	18530	Castle Hill	764-45-023	Chadband J C Trustee & Et Al	18530 Castle Hill Dr	MORGAN HILL	95037-9169	\$1,406.25
19			767-09-029	Villa Ciolino Assocs, Ltd Partnership	9015 Murray Av Ste 100	GILROY	95020	\$281.25
20	16780	Monterey	817-01-006	Hung Lee Et Al	1947 Wilson Ct	MOUNTAIN VIEW	94040-4056	\$281.25
21	16470	Vineyard	817-02-044	Michael T. Mangano	333 Santana Row Apt 307	SAN JOSE	95128-2009	\$487.50

**2005 Hazardous Vegetation Management Program
Assessment Report
City of Morgan Hill**

Situs			APN	OWNER ADDRESS				TAX ROLL AMT
22	199	Mast	817-02-064	Armand Agra Inc, Et Al	66 George Ln Ste 101	SAUSALITO	94964-1890	\$515.63
23	195	Tennant	817-04-051	Villafranca Anthony F And Pat C	10561 Hidden Mesa Pl	MONTEREY	93940	\$421.88
24	800	Tennant	817-08-030	D Devi Oil Inc	28456 Century St	HAYWARD	94545	\$609.38
25	16275	Condit	817-13-024	Nhien Nguyen	9912 Miloann St.	TEMPLE CITY	91780-3927	\$487.50
26	16015	Caputo	817-29-027	Mr. & Mrs. Frank F. C Huang	5647 Algonquin Way	SAN JOSE	95138	\$703.13
27	395	Barrett	817-58-001	Napa Associates	9548 Estates Dr	GILROY	95020	\$890.63
TOTAL								\$20,587.50



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

ZONING TEXT AMENDMENT, ZA-05-06: CITY OF MORGAN HILL- MG GENERAL INDUSTRIAL DISTRICT AMENDMENT

RECOMMENDED ACTION(S):

1. Open/close Public Hearing
2. Table Item

EXECUTIVE SUMMARY:

A proposed amendment to the MG, General Industrial District regulation to allow concrete batch plants as a permitted land use.

Associated Concrete (Associated) is currently operating a concrete batch plant in the downtown area. One of the recommendations of the updated downtown plan was to change the zoning on Associated's current site on East Main Avenue from light industrial to high density residential. The change in zoning is intended to encourage more opportunities for transit oriented development on the site (see attached downtown plan maps). To facilitate such a development, staff has been encouraging Associated to consider relocating its batch plant to another location in town. Associated has since identified a site on Mast Street on the west side of the railroad tracks and is under contract to purchase the site (see attached map). The identified site is zoned MG General Industrial which allows concrete batch plants as a conditional permitted use.

Associated indicates that while it is willing to purchase the site on Mast Street and relocate its operation, it will not close on the property unless it has assurances that a concrete batch plant is a permitted use. To provide the necessary certainty, staff recommended the MG zoning district be amended to allow batch plants as a permitted use (eliminating the conditional use permit requirement). Given that the zoning amendment is only needed for a specific site, the Planning Commission felt a better approach is to zone the site PUD and include a concrete batch plant as a permitted use in the PUD. Staff agrees this would be preferable to a zoning amendment that would apply to all MG zoned properties. Associated also agrees. The Planning Commission, at its July 12, 2005 meeting took no action on the MG District zoning amendment and voted 6-0 to table the item. A city initiated PUD zoning application will be brought back for Planning Commission and City Council consideration.

This item was advertised for public hearing for the July 27 Council/RDA meeting. The recommended action is to open and close the public hearing and approve a motion to table the item. The PUD zoning application for the site will be considered at the September 7, 2005 Council meeting.

FISCAL IMPACT:

No budget adjustment required.

Agenda Item # 18

Prepared By:

Planning Manager

Approved By:

**Community
Development Director**

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

Agenda Item # 19

Prepared By:

**Community
Development
Director**

Submitted By:

City Manager

APPLICATION ZA-04-14: AMENDMENT OF PARKING ORDINANCE TO IMPLEMENT DOWNTOWN PLAN

RECOMMENDED ACTIONS:

1. Open/Close the Public Hearing
2. Select Boundary of Exemption Area and Decide whether to impose In-Lieu Fee
3. Waive the first and second reading of the Ordinance
4. Introduce Ordinance (roll call vote)

EXECUTIVE SUMMARY: The Downtown Plan calls for changing parking requirements in order to stimulate development in the downtown area so that it becomes the type of place envisioned by the Downtown Plan. The suggested changes were to eliminate the on-site parking requirement for commercial use (currently 1 space per 250 square feet) and to eliminate the guest parking requirement for residential uses (currently 1 space per 4 units). Last year, the Planning Commission and City Council considered an ordinance to accomplish these suggestions, but the ordinance was not adopted at that time because it was decided that a Downtown Parking Management Plan should first be prepared to ensure parking supply and demand factors were studied, and measures/actions identified to ensure that long-term parking needs would be met downtown as it developed.

The Planning Commission reviewed a draft Downtown Parking Plan on June 28, 2005. At that meeting, the consultant acknowledged that the Plan represented a "Best Case Scenario" based on various assumptions (refer to attached Analysis of Preliminary Findings of Downtown Parking Management Plan), which concluded that parking downtown would be adequate during the 2025 planning period. The consultant then presented revised information based on a different set of assumptions, which was termed the "Worst Case Scenario". That scenario reveals that parking would be at 85% occupancy by 2007 and 100% occupancy by 2008. The consultants, staff and the Planning Commission believe that the "Projected Scenario" is somewhere in between, but that more work needs to be done on the Parking Management Plan to identify realistic assumptions, determine the actual projected loss of on-street parking due to Third Street and Depot Street improvements, and identify strategies for increasing and improving the public parking supply.

Based on the above analysis, the Planning Commission is forwarding an ordinance that would provide the commercial and residential guest parking exemptions for Measure C allocations awarded and commercial site review approvals obtained on or before March 1, 2007. This will allow for 2 years worth of competitions to occur, while the City and RDA work toward defining a more comprehensive strategy, including funding, for increasing and improving the downtown parking supply.

On July 12, 2005 the Planning Commission considered various alternatives for where the parking exemption should apply, and decided to recommend that it apply to the attached "Exhibit A" area. The Commission also recommends requiring payment of the Parking In-Lieu Fee, currently at \$5,217. On July 19, 2005 the Community and Economic Development Council Subcommittee considered the matter, and decided to recommend that it apply to the attached "Exhibit D" area, which includes all parcels within the entire Downtown Area RDCS Boundary, including all identified downtown opportunity sites. The Subcommittee is recommending that the In-Lieu Fee not be charged, in order to reduce obstacles to downtown development. It is recommended that the City Council decide upon an appropriate boundary when adopting the ordinance, and whether or not to apply the parking in-lieu fee.

FISCAL/RESOURCE IMPACT: Exemptions have no direct fiscal impact, but indirectly will place pressure on the City/RDA to improve public parking supply in the downtown area.

R:\PLANNING\KATHY\DOWNTOWN\Staff Report CC 7-27-05 DT Parking Amdmt

ORDINANCE NO. , NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE MORGAN HILL MUNICIPAL CODE, CHAPTER 18.50 OFF-STREET PARKING AND PAVING STANDARDS, TO ESTABLISH EXEMPTIONS FOR DOWNTOWN DEVELOPMENT PROJECTS

WHEREAS, such request was considered by the Planning Commission at its regular meeting of December 14, 2004, June 28 & July 12, 2005, at which time the Planning Commission recommended approval of an amendment to the Morgan Hill Municipal Code by amending Chapter 18.50 Off-Street Parking and Paving Standards; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

WHEREAS, such request was considered by the City Council at its regular meeting of July 27, 2005, and testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAIN:

SECTION 1. The proposed amendment is consistent with the Zoning Ordinance and the General Plan.

SECTION 2. The zoning text amendment is required in order to serve the public convenience, necessity and general welfare as provided in Section 18.62.050 of the Municipal Code.

SECTION 3. An environmental initial study has been prepared for this application, and has been found complete, correct and in substantial compliance with the requirements of the California Environmental Quality Act. A mitigated Negative Declaration has been filed, which addressed the actions being taken to implement the Downtown Plan, including this zoning amendment.

SECTION 4. The City Council hereby adopts the following amendments to Chapter 18.50:

A. Section 18.50.025 shall be amended to read as follows:

18.50.025 Parking in CC-R, central commercial residential zone

For lots of record in the CC-R, central commercial-residential zoning district that are located within *[insert description of Exhibit A or D]* there shall be no requirement for provision of on-site parking for commercial/office uses. This exemption applies only to projects which receive site review approval or are awarded RDCS building allocations on or before March 1, 2007.

[Decide whether or not to impose In-Lieu Fee. If so, include the following language: To offset the impact to existing parking facilities, commercial/office development which exercises the on-site parking exemption shall pay the in-lieu fee as established in Section 18.50.130.]

On-site parking for residential to commercial conversion will be prohibited unless it is provided at the rear of the parcel and can be accessed from Main Avenue or Depot Street.

- B. The following statement shall be added to each of the Guest Parking provisions found under section 18.50.020 Number of Spaces—Schedule:

18.50.020 Number of Spaces—Schedule

The provision of guest parking is not required for proposed residential development within the CC-R zoning district for the area within *[insert description of Exhibit A or D]*. *[Decide whether or not to impose the In-Lieu Fee. If so, the Planning Commission recommends the following provision: However, for projects that include more than 15 dwelling units, the developer shall either pay the Parking In-Lieu Fee or shall provide the residential guest parking].*

SECTION 5. Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 6. Effective Date; Publication. This Ordinance shall take effect from and after thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the special meeting of the City Council of the City of Morgan Hill held on the 27th Day of July 2005, and was finally adopted at a regular meeting of said Council on the Day of August 2005, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. , New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the Day of August 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: JULY 27, 2005

Agenda Item # 20

**Prepared & Submitted
By:**

City Manager

OUTDOOR SPORTS COMPLEX

RECOMMENDED ACTION(S):

- 1) Review the report;
- 2) Consider recommendations from the Parks and Recreation Commission (PRC); and
- 3) Adopt staff's Recommended Implementation Strategy.

EXECUTIVE SUMMARY:

At its May 25, 2005 meeting, City Council considered a report on the potential for a public-private partnership to develop and operate an Outdoor Sports Complex on RDA owned land on Condit Road. Council directed that City staff and the Parks and Recreation Commission address a series of issues necessary to "keep the ball moving forward" and report back on the progress and remaining steps.

The attached report is organized as follows:

- A summary of Council's Goals and Objectives for the Outdoor Sports Complex.
- A recap of the Request for Proposals and the response from the Coliseum Recreation Group (CRG), including an analysis of the extent to which the CRG proposal conformed to Council's goals.
- A staff recommended implementation model that addresses the Council's Goals and Objectives including:
 - ▶ A proposed agreement with a community based non profit group to operate and maintain the facility.
 - ▶ A proposed agreement with a private commercial venture to lease a portion of the site.
 - ▶ A proposed agreement on how parking would be shared among the private venture, the sports field users, and Aquatics.
- The Parks and Recreation Commission's comments on and suggested modifications to the staff recommended implementation model.
- A recommended revised Master Plan and Phase I to accommodate a private commercial facility on a portion of the site including a discussion of how the site plan impacts the youth sports groups, the potential for revenue, and the construction budget.
- A recommended implementation strategy and schedule for accomplishing Phase I of the Outdoor Sports Complex including options in the event CRG cannot meet the recommended approach.

FISCAL IMPACT:

Council has appropriated \$2.5 million to construct Phase I of the Outdoor Sports Complex. About \$3,200 has been spent in the past 60 days to provide the revised concept plans, and an additional \$2,500 would be needed if the PRC's request for further options is approved. City staff time to prepare this report and to work with all interested parties is funded through the adopted City Budget.



Memorandum

Recreation & Community Services

Date: July 20, 2005
To: Mayor and City Council
From: Ed Tewes, City Manager
Julie Spier, Special Assistant to the City Manager
Subject: Status of the Outdoor Sports Complex Private-Public Partnership Proposal Analysis
cc:

Staff presented a report to Council on May 25, 2005 seeking direction in regards to The Coliseum Proposal as a potential private operator of a segment of the Outdoor Sports Complex. Based on the proposal and subsequent information received from The Coliseum Group, and joint meetings with the Parks and Recreation Commission, CRG, and the non-profit youth sports groups; staff recommended at that time to not enter into an Exclusive Right to Negotiate until further information could be obtained. The following is a report of the staff work that has been completed in the past sixty days towards defining the criteria by which to determine if the developer is ready to move into the ERN phase with the City.

Council Goals and Objectives for the Outdoor Sports Complex

The Soccer Complex on Condit Road has been operated by the CYSA as a regional tournament facility. Because the facility was intended to attract teams from throughout Northern California primarily on weekends, there were few opportunities for local youth sports groups, and then only for soccer. In 2001, the Redevelopment Agency purchased the approximately 38 acres for \$7.65 million for the purpose of developing a multi sports facility intended for community use.

The Council's goals for the project are:

- Develop a mix of fields to meet the needs of organized community youth sports groups at an affordable cost to the users of the facility
- Develop a first phase to meet minimum basic needs within the adopted \$2.5 million budget
- Adopt an Operating Model that provides for full cost recovery by the third year of operations
- Ensure that initial phases are consistent with the ultimate master plan in the event that additional capital funds become available in the future

When it became apparent that the cost of operations would lead to user fees that would be significantly greater than community youth groups considered affordable, the Council authorized a Request for Proposals (RFP) to determine the potential for public-private partnerships on the site. In furtherance of the above goals, the RFP established the following objectives which were

used to evaluate any proposals:

- Develop at least an initial phase of a community oriented sports park with an operating plan to fully recover operations and maintenance costs without General Fund support
- Program the site to meet the needs of local youth sports groups
- Avoid any adverse competition with the Indoor Recreation Center that might jeopardize its success
- Integrate outdoor fields and public areas with any indoor private recreation facilities through coordinated use of space and programs
- Recognition to not have the complex completely privately operated.

These Goals and Objectives were used to evaluate the response from the Coliseum Recreation Group (discussed in the next section) and to prepare a recommended Implementation Strategy as outlined later in this report.

Request for Proposals

On May 25, 2005 we reported to Council the results of the RFP process and gave our recommendations on additional work.

The RFP was intended to solicit proposals in conformance with the Goals and Objectives leading to the possible selection of one proposal with whose developers the RDA would negotiate exclusively. In exchange for a good faith deposit of \$20,000 the RDA and the developer would work out the actual contract documents embodying the endorsed concept.

We only received one proposal. The Coliseum Recreation Group (CRG) proposed a ground lease to allow construction and operation of a private commercial recreation venture involving indoor sports fields, fitness areas, a restaurant, locker rooms, and ancillary spaces. CRG is proposing an 86,000 sq. ft. building in Phase One with future expansion to 110,000 sq. ft. covering 2.5 acres. CRG is proposing a market-rate lease term which will generate about \$80,000 per year at the beginning of the lease. This would recover about 30% of the proposed City annual operating costs of the site. Staff understands that a ground lease is a good business model for CRG, but the purpose of the request for proposals was to determine how a private proposal would meet the public objectives for the project.

Our May 25, 2005 report outlined in greater detail the Staff's evaluation of the CRG proposal and the reasons for our recommendation that we not select it for the ERN phase.

In summary the submitted concept was vague or incomplete in the following areas:

- It did not include a level of site planning sufficient to evaluate the impact of the commercial venture on the number and lay out of the sports fields

- Representations of financial and management capacity to deliver the project were not matched by budgets, financial statements, or demonstrated experience in similar ventures
- Representations of market feasibility and non competition with the IRC were not matched by market analysis sufficient to evaluate the business plan

The submitted concept was at variance with the Council's Goals and Objectives in the following areas:

- A "stand alone" commercial venture did provide the synergy expected from a private venture integrated into the public outdoor complex (although it did provide for shared parking)
- The concept required a City/RDA subsidy of development costs in an amount estimated to be \$2.5 million.
- The concept provided ground lease payments of only \$80,000 per year compared to the staff estimated costs of O&M of nearly \$275,000 per year
- The concept proposed that tax revenue attributable to the facility be credited" to the O&M budget rather than to support the General Fund budget as a whole

Although the Council agreed not to select the CRG proposal for an Exclusive Right to Negotiate at this time, it did direct the staff and the Parks and Recreation Commission to address several questions raised by council members and to seek ways to provide for a private partnership at the Outdoor Sports Complex.

The Council also made clear its intent to enter into an operations and maintenance agreement with a community based non profit group. Council directed staff to attempt to resolve several issues including different estimates of the operating costs. Subsequently, the PRC heard concerns from youth sports groups about the layout of the fields and about the structure and governance of the non profit that would manage the complex.

The next section describes a recommended implementation model for how the public private partnership and the O&M arrangements could proceed.

Staff Recommended Implementation Model

We believe that there are three essential components of a successful implementation model:

An Operations and Maintenance Agreement with a community based non profit youth sports group

A Ground Lease with a private commercial venture for a portion of the site

A Shared Parking Agreement among the non profit, the private venture and the City

For each of these three agreements, the staff recommends “deal points” establishing the minimum requirements consistent with the Council’s Goals and Objectives. Attached are color coded matrices showing the recommended deal points, the initial response from potential parties to the agreement, and the PRC’s recommendations.

The blue color coded attachment represents the lease deal points with comments from the Coliseum Recreation Group received on July 21, 2006. Those comments were not available to the PRC. We anticipate that the CRG will make a presentation to the Council outlining its perspectives and objectives.

O&M Agreement.

(purple attachment)

There are at least three reasons for recommending an agreement with a non profit group.

First, the groups that will use the fields are in the best position to establish operations policies, subject to a requirement that the fields be made available for community use when scheduled league practices and games permit.

Second, the non profit groups have more flexibility to generate revenue to help pay the O&M costs through tournaments, special events, and concession sales staffed by volunteers.

Third, the non profit groups believe that they can provide maintenance at lower costs through the use of volunteers and private contracts at rates different than the City could obtain through competitive bidding.

Highlights of the recommended deal points:

1. A limited term in recognition that the Master Plan improvements might change O&M responsibilities and revenue potential significantly.
2. City commitment to allocate all revenue from the ground lease to O&M, and that additional operations assistance would be available in the first two years provided that reasonable user fee rates were insufficient to meet the costs.
3. Non profit group to establish a reservation process and schedule field use, allowing for community access.
4. Non profit group may charge field use fees in accordance with schedule approved by City.
5. Non profit group retain rights to all revenue generation options at the site

The PRC reviewed the Staff recommendations and suggested that the Council consider some alternate approaches to a few of the items. Their suggestions are shown on the attached matrix. Highlights include:

1. PRC suggests that field use fees for remaining city fields be reviewed and adjusted as necessary to provide equity.
2. PRC recommends that a coordinated field reservation system be implemented so there is optimal use of all fields in the city and there is coordination of all users at the OSC site including aquatics.
3. PRC proposes that the complex be operated and named as “Morgan Hill Community Sports Park” reflecting the desire to meet youth sports groups needs while preserving community access.
4. PRC proposes that the City pay for maintenance of the public parking lots.
5. PRC suggests that different deal points would be necessary in the event the ground lease with a private partner does not occur.

With the exception of PRC’s point #4 Staff concurs. We continue to support complete responsibility for maintenance including parking in order to match total access to revenue opportunities including paid parking for tournaments and special events. As part of the initial construction of Phase I only minor improvements to the parking lot are proposed, but annual maintenance can be minimized by greater attention to parking operations than has been the case under the CYSA lease. The non profit would be in a better position to manage parking in conjunction with its activities.

Ground Lease

(green attachment)

We propose a ground lease with a private venture rather than an outright sale in part because of the need to generate annual income for the General Fund to help pay O&M costs. A sale would generate cash but for the benefit of the RDA. Second, a lease provides greater opportunities for ensuring the public purposes of the partnership.

The staff’s recommended deal points are shown on the attached, with these highlights:

1. The lease should be based on both a base rent component and a percentage of the gross sales component so as to address the Council’s interest in “profit sharing”.
2. The responsibility for complying with all City development regulations and payment of all development costs would be borne by the private entity not by the City.
3. The lease would provide for City approval of an “Operations and Management Plan” that provides predictions of non competition which will become a contractual obligation in relation to the IRC. It is recognized that flexibility is required in order

to be competitive in the changing market but there must be restrictions as to how the private venture and the IRC evolve together.

It is recognized that the concept business plan submitted by the CRG required a City subsidy of development costs. Therefore, it may not be possible for CRG to both pay the normal costs of development and pay ground rent sufficient to meet the revenue objectives for operation. In that event, we should address other options as outlined later in the section on implementation strategy.

CRG's response to this point has been to suggest that the Council revise its Goals and Objectives to reflect an "economic development" objective in addition to the adopted approach. Even if Council agrees that this project requires RDA investment as an economic development incentive, we continue to recommend the deal points we have proposed. The level of incentive required is unprecedented in comparison with relatively modest increases in jobs and tax revenue. If Council revise its Goals and Objectives to reflect an "economic development" objective then Council may reconsider its request for proposal process to include a broader private sector market to include compatible uses such as restaurants, sports bar and event facilities.

Shared Parking

(yellow attachment)

By providing for joint use of the parking facilities, the total number of spaces needed for all users of the sports complex can be minimized. This is important to CRG because without a shared parking agreement it would be required to construct over 400 spaces to meet zoning requirements.

Full parking improvements on the balance of the site would be deferred until the Master Plan improvements are constructed. The proposed deal points call for cooperation in management of the spaces (both public and "private") and sharing of costs.

The deal points outline the principles that we believe should guide the agreement. We recognize, however, that this is a very complex issue, because it involves the business objectives of the private business and the public objectives for the outdoor fields and the Aquatics Center. Nonetheless, the land is publicly owned, and by sharing parking the development costs of the private partner can be minimized.

Parks and Recreation Commission's Comments on The Recommended Implementation Model

The Parks and Recreation Commission discussed the following agreement points over the course of three meetings held on June 21, June 28, and July 19, 2005. The three agreements were outlined in the form of three matrices and are provided as colored attachments. The matrices were used to outline the major points that the agreements must contain regarding the ground lease, operations and maintenance, and shared parking.

Matrix 1: O & M Agreement

(purple attachment)

The PRC reviewed the operations and maintenance agreement terms as presented by the City Manager. The PRC was in general agreement with staff on the points except they prefer that the parking area remain the City's responsibility. The PRC indicated that the cost of maintaining the parking lot may provide a hardship to the youth sport groups and as long as there was community access then the City should maintain that cost.

The PRC agreed that the operations of the outdoor fields should be subsidized for a period of no more than three years to assist the youth sport groups with the initial start-up period. The amount of that subsidy was not determined. In return, the PRC ask that the youth groups establish a reservation process and schedule field use and priorities by mutual consent and through the use of an annual use plan. The youth group may charge field use fees for reserved fields in accordance with the fee schedule approved by the City. PRC asked that there be a review of city-wide field use fees so there be a uniformed city fee structure for all field reservations.

PRC wanted clearer definitions to the terms "sports park" and "community use" by the youth sport groups. The youth groups requested that the complex be labeled a sports park which, they believe, defines the main purpose of the facility. PRC is requiring community access recognizing that can be achieved through a reservation process open to all groups. Drop-in use will require further discussion.

PRC added the following item for youth groups and Council to consider: What happens if there is no private partner? What are the proposed obligations to perform in that scenario? The youth sport groups were asked to provide two proposals, one with a private partner and one without the private partner support.

Matrix 2: Ground Lease with Private Commercial Venture

(green attachment)

The PRC reviewed the ground lease terms as presented by the City Manager. The PRC agreed with the lease recommendation for 20 years with three, ten year options for renewal recognizing when phase two is ready for development that a new lease will have to be negotiated. The private sector site is considered to be no more than 2.5 acres with the City/RDA providing utility easements to the site if not accessible from the public street. PRC noted that if the parking lot is not included as part of the boundary line then that cost should be borne by the developer.

The PRC requested that there be an on-going discussion regarding the shared parking between the OSC, CRG and the Aquatics Center. Concern is whether there is enough parking available. A subsequent preliminary analysis was completed by Lee Steinmetz, Landscape Architect and city staff, which indicates there may be enough parking if shared by all parties (attachment xx).

Under the recommended "Private company must continuously operate a commercial recreation facility for the term of the lease and it must operate the facility in accordance with an "Operations and Management Plan" approved as part of the lease", the PRC made the following notations:

- A. Change in use shall not compete with IRC
- B. Market analysis has to show targeting different segment of the market within the

same sport

- C. Include three elements in agreement/discussion “Flexibility, competition, responsiveness”
- D. City has to be reciprocal in the area of not competing for the same market segment within the same sport
- E. Establish a process in the lease so all can move with the market

The PRC felt this satisfied the Indoor Recreation Center non-compete issue.

Regarding sub-leasing, the CRG requests flexibility in being able to sub-lease the facility. The PRC recognized the need for flexibility in providing programs to the market but also is wary of the IRC non-compete issue and suggested establishing a list of pre-approved uses and a list of prohibited uses to be attached to the agreement and that criteria be established by which the lists will be formed.

PRC agreed with the recommendation that the private company be responsible for application for land use entitlements, environmental assessments, site and architectural review permit and building permit, and shall pay all fees due in accordance with Municipal Code. This is in response to Council’s direction to assist in determining who pays for the fees and off-site development costs of the private project. A preliminary analysis by Public Works staff suggests that the developer fees would be approximately \$1,258,474 and the off-site improvements would be \$271,920. This analysis is based on staff’s interpretation of information provided by the developer and not based on site plans or architectural input as none have been provided.

Additionally, this preliminary fee analysis does not address on-site drainage. According to Building Code, the developer is responsible for on-site drainage and holding basins. CRG has not made any reference to a drainage area within the 2.5 acre building site they have requested and will be required to either install drainage pipes or negotiate to use one of the fields as a drainage basin. This will adversely impact the playing time on the field(s) and the ability of the youth sport groups to utilize them.

Regarding lease payments, the PRC suggest that the target annual lease starting the first year should be \$150,000 adjusted every five years based on an index. There should be a common area maintenance fee for parking, landscaping, and other common areas. The PRC suggested a fixed amount of rate increase based on projected gross sales with a designated minimum.

PRC added the following item: “Annual plan to coordinate the overall schedule of the facility to take into consideration uses, reservations, parking and impact on surrounding areas. May require a priority system developed between the parties.” The PRC recognized that there will be competing use requests for the same prime time periods and that a process needs to be established to provide a fair and equitable access to the fields without adversely impacting those groups who are paying a majority, if not all, of the operations and maintenance costs.

Matrix 3: Shared Parking Agreement

(yellow attachment)

The PRC reviewed the shared parking agreement terms as presented by the City Manager. PRC recognized that a parking needs estimate was required in order to analysis the amount of shared

parking needed to support the project. A preliminary analysis has been completed with 610 shared spaces determined. PRC was clear that they recommend the City remain responsible for the public parking areas maintenance. It is understood that the public parking area remains unimproved for phase one with the private parking area conforming to city building codes.

PRC Recommendations

PRC adopted for Council consideration the following items at their July 19 meeting:

1. Approved matrixes;
2. Asked that the complex be named “Morgan Hill Community Sports Park” recognizing the purpose of the complex and the need for community access;
3. Approved Public-Private Phase I A conceptual site plan with private building footprint; approved Public-Private Master Concept IA with private building footprint; and requested Council fund two variations of the private building layout for optimal site location review.

The PRC did not reach a decision on whether the site plan should be re-addressed regarding field usage and has asked that it be placed on their next meeting agenda for further discussion. This is in response to public comment received at the June 2005 Parks and Recreation Commission meeting. The discussion revolves around the ball fields and whether the focus should remain on Pony Baseball or if the fields should be designed as more multi-purpose (skinned infields vs. grass infields) so Spirit and Pride Softball may hold tournaments at the complex. There are currently two multi-use fields in the plan.

The youth sports groups in attendance shared their concerns with revisiting the field usage indicating that Spirit and Pride chose not to participate at the time. Pony Baseball reminded the PRC that they gave up a prime tournament field (Colt) so the phase one could move forward with a private partner. If the discussion allows for a re-visit of the field uses, then Pony Baseball would like to have addressed the fields they gave up as part of the process.

Revised Master Plan and Phase I Plan to Accommodate Private Commercial Facility on 2.5 acres

Council approved the Concept Master Plan and Phase One Plan at their December 15, 2004 meeting. The program development of the concept plan(s) began with the 2002 adopted concept plan which called for multi-use fields. The 2004 Sports Sub-Committee quickly agreed that dedicated field use was desired and became the base upon which the field spaces were allocated. Agreement was made that the first priority was to meet local youth recreational needs and in this effort to complement existing programs and field uses at sites throughout the city including school site uses. It was desired to have a small tournament venue if funding allowed and the maintenance function and support equipment would remain on site. The committee preferred permanent improvements in the phasing plan in recognition of the Council objective to stay within the \$2.5million phase one budget.

The Site Plans

Sports Complex encompasses 36 acres of the existing “soccer fields” bordered by Condit, Murphy, Barrett and San Pedro Avenues. The City purchased the site based on the recommendations of the Parks, Facilities and Recreation Programming master plan of 2000. The Master Concept incorporates six soccer fields with one lighted on synthetic turf (football & soccer use); 2 baseball fields (Pony-Colt), Bronco field, batting cages, 3 sand volleyball courts, basketball court, playground, 2 restroom buildings, concession building, refurbished administration building, fabric covered playground, corporation yard, and provides a connection to the Aquatics Center through parking and walkways.

Total Project estimated cost: \$10.65million

Phase One Plan incorporates six existing soccer fields, concession/restroom building, curb for volleyball courts, backstops and fencing up to the dugouts base of four softball/baseball fields and one baseball field. Also included in the costs are demolition, grading, irrigation, electrical infrastructure, some off-sites, chip-seal of existing parking lot, soil prep and irrigation, and seeding of outfields. Does not include: infield finish work (infield fines or turf), outfield fencing, bleachers, bases, score booths, lighting, play area, picnic area/”plaza”, perimeter fencing, and synthetic turf field. It leaves the well and corporation yard where they exist currently. Some planting of trees and turf areas in the central “plaza” areas between the fields and remaining areas would be in base rock. Assumptions for phase one include use of water cannons for irrigation with no inground water system on soccer side; in ground irrigation on ballfield side; grading limit to interior areas; conduit installed for future lighting; and paving for parking consists of compacted base rock.

Phase One Plan estimated cost: \$2.5million with contingency and soft costs.

Note: Phase I still requires an environmental process, which may require improvements not considered in current budget estimate.

Youth sports Groups Assistance

This plan is dependent on the assistance of the local youth sports groups to provide the remaining amenities required to complete the project and have viable playing fields. The value of phase I sports groups contributions is \$255,000. If the field design and purpose is changed, then a revised cost estimate and youth sport clubs contributions list will have to be provided.

Youth sport leagues also state that they need their own concession stands on site to off set league costs. They ask that the funds be used at their discretion. CRG recognizes this need and understands that the groups will be operating their own concession stand on the same site. The youth sport leagues have agreed to utilize one permanent stand for all of the groups involved.

Revised Phase I and Master Plan to Incorporate Public-Private Program

At the May 2005 Council meeting, staff was directed to develop a revised phase one that would be a public/private concept A. This would show on the site plan the impact of a building of 86,000-110,000 sq. ft. (The Coliseum) incorporating building code requirements. Lee Steinmetz

of Bellinger, Foster, Steinmetz was contracted to provide this conceptual site plan as he had developed the initial phasing plans. The Morgan Hill Sports Complex Phase I Public/Private Concept A was presented to the PRC on July 19, 2005.

The basic premise of Phase I Public/Private Concept A remains the same as presented on December 15, 2004 except for:

- * No changes to soccer side. Irrigation by water cannons as is being done now.
- * Irrigation but no grading to baseball/softball outfields
- * Grading/irrigation of infields (on fields with turf). Sports groups to provide final infield surfacing.
- * Central area between fields to be base material only.
- * Parking lot on "public" side to be stabilized base only. No asphalt paving.
- * Estimate does not include any improvements to the "Private" parcel.
- * The Pony Field can be constructed in Phase One but will require relocation of some power poles serving the well, moving of fence and other minor demolition. (Extent of demolition will require a field visit to confirm).

Revised Phase I Public/Private Concept A cost estimate: \$2,470,438
(Previous phase one estimate: \$2,483,818)

The concept was approved by the PRC with the request that two variations be brought back:

- a. Placing the private building footprint along Barrett frontage
- b. Placing the private building footprint along San Pedro frontage

if the following criteria was achieved:

1. It does not impact the number of fields as currently shown; and
2. Does not increase the project cost for phase one.

The architect has indicated that the fee to provide these two variations would be \$2500. Council is asked to direct staff if this should be completed. Doug Payne of The Coliseum Group indicated that they would seriously consider these new building orientations.

Operating Models

There are four operating models that have evolved:

1. City operated with user fees sufficient to meet operations and maintenance costs estimated to be \$273,000 annually. Field rental rate would be \$11.30/hour.
2. Non-profit youth sport groups consisting of Football, Baseball, Soccer and Volleyball have declared they will be forming an alliance so they may be considered as potential operators of the outdoor fields. They estimate the operations cost at \$150,000/annually. Estimate field rental rate undetermined at this time.
3. MYHSA may submit a proposal to operate the outdoor fields. They estimate operations cost at \$127,000 annually with a field rental rate of \$5/hour.
4. Private- public partner with a lease payment of \$150,000. Field fees rate undetermined at

this time.

Comprehensive Site Proposal

City Council desired a comprehensive proposal that would incorporate the entire site before the project could move forward which included development and operations plan. In accepting the Coliseum proposal as a lease of 2.52 acres, the city would still need to wait before moving forward until the non-profit piece can be completed based on Council's objective.

CRG has stated that their need is stand-alone, and they don't require the development of the outdoor fields to begin their project. Although recognizing this does not meet the criteria of a synergistic private partner on the site, Council could move forward with the private portion of the complex once a site area is "carved out".

The outdoor fields require a separate track determinant on the operating agreements that can be worked out. It appears that possibly two non-profit groups may want to be considered as operators and are working on their proposals for Council consideration.

Non-Profit Youth Sport Groups

It was announced at the PRC meeting of July 19 that the following four youth organizations; Pony Baseball, Orchard Valley Youth Soccer, Pop Warner Football and Volleyball will be forming their own collective non-profit organization and ask to be considered as potential operators of the outdoor fields. They will be providing two proposals: one with private partner, one without. Their letter of intent is included as attachment xx.

Morgan Hill Youth Sports Alliance (MHYSA) has been reinstated and the current board has indicated an interest in also being considered as a potential operator of the outdoor fields.

It is possible that Council will have two potential proposals for the outdoor field use in addition to the city run model. Preference would be for the groups to all band together in order to have a chance to achieve the greatest operating success of the complex.

The City would agree to provide financial assistance to the non-profit in an amount equal to the rental income attributable to any private commercial development built on a portion of the OSC site.

Council also recognized that some financial assistance would be required to offset the first three years of operations with the goal by the third year that the non-profits would be able to fund the entire operations and maintenance costs. During negotiations with the non-profits staff will have to evaluate the proposed operations and maintenance budget numbers to determine how capable they are to achieve cost recovery. Please refer to attachment xx "Outdoor Sports Complex Maintenance/Operations Matrix".

The sport groups have been asked to provide a detailed revenue budget that will take into consideration private operator lease payments, sponsorships, concessions, advertising income, parking revenue, tournament play, and field rental fees to determine the city's multi-year

contribution to the operations costs. *For example:*

Youth Sport Groups	M & O cost: \$149,449 estimated
Private partner rent	\$80,000
Sponsorships	\$7,200
Concessions %	\$5,000
Tournaments	\$8,800
City Contribution	\$15,000
Field Rental fees (\$4/hr/field)	\$33,449

The youth sport groups were also asked by the PRC to evaluate their possibility of submitting a proposal without a private partner. The groups had recognized that there was not a synergistic relationship with the private proposal except for the shared parking and the lease payments to offset the operating costs of the outdoor fields. The group indicated this was something they were open to discussion and would consider submitting a proposal.

The groups noted this option would provide for an increase in flexibility in the number of fields and field layouts which would enhance their ability to host tournaments and league play. It would provide for a greater opportunity to meet expressed community needs. For example, the Colt Field could be reinstated into the site plan, which was exchanged to make room for the private building footprint. The Colt Field would provide a tournament based field for increased operating revenue. It could free up space for batting cages or other associated uses.

Recommended Implementation Strategy

It should be clear that there are many complex and interrelated issues that must be resolved to move forward. Here are the steps that staff believe are necessary to achieve success:

Deal Points

It is recommended that the Council adopt the Deal Points on July 27, 2005.

Ground Lease

CRG should be asked to respond in 30 days whether they are prepared to accept the deal points.

Within 15 days after acceptance, CRG to provide needed material on site plan, financial background, management experience, and marketing studies.

Within 15 days of receipt, City staff to review and prepare recommendation for Council on whether to enter into an exclusive right to negotiate.

During ERN process CRG would apply for and obtain development entitlements in accordance with City standards.

During ERN actual ground lease document would be negotiated in conformance with the deal points and presented for approval prior to commencement of construction.

CYSA Interim Lease

A meeting was held between City Manager Ed Tewes and CYSA General Manager Frank Marotto on July 20 to discuss the possibility of the extension and the timeframe. CYSA and the City agreed to discuss:

CYSA would like to extend the current lease that expires at the end of October. Council asked for extension through June 30, 2006.

City and CYSA to immediately negotiate lease extension, and bring it back for Council action no later than the first meeting in September.

CYSA would prefer to go through December 2006, but recognizes that during the lease term they would have to consent to reduced access to fields while private construction or public construction is underway.

CYSA and City will explore whether some of the Phase I improvements for the Outdoor Sports Complex could be accelerated so that they were constructed during the CYSA lease term for mutual benefit.

Sports Groups

No later than October, 2005, the Morgan Hill Youth Sports Alliance and the non profit sports groups should be requested to resolve any governance issues, and propose a single entity with which the City can contract for O&M.

At the same time, the single entity should indicate whether it is prepared to accept the deal points adopted by the Council.

The O&M agreement should be negotiated during the ERN process for the ground lease to ensure consistency and integration with the other key components of the model.

Council should direct staff as to the role of the PRC with the non-profit youth sport groups in this process.

Construction of Phase I

Concurrently with initiation of the ERN phase, we should retain a design team to develop plans and specifications for the Phase I improvements. This will require coordination with the CRG design team as well.

Immediately upon approval of the Ground Lease, the environmental impact review will proceed.

Once the environmental review is complete, the improvements will be bid out and construction contracts awarded.

Alternatives without CRG

In the event CRG is unwilling or unable to accept the deal points, it will be necessary to consider options.

If the non profit groups have organized into a single entity, they would be requested to advise whether they would be willing to take the risk for the entire site with additional fields made possible by the elimination of the private project. Options identified so far include larger and additional baseball and softball fields which would increase initial construction costs and maintenance, but provide opportunity for additional revenue from tournaments and special events.

If full cost recovery is not possible, then the City should issue RFP's for a straight forward commercial venture that would be compatible with the Outdoor Sports Complex. Restaurants for example, might generate sufficient revenue to offset O&M costs yet require a smaller footprint on the site. Big League Dreams has indicated their interest in discussing the possibilities of the site (attachment xx). In December it was reported that Big League Dreams had completed a demographic and market study and find the area favorable to this type of project. Note that this information was shared with the sub-committee who unanimously stated they were not interested in a privately operated venture.

ATTACHMENT LIST

O & M AGREEMENT	PURPLE
GROUND LEASE WITH PRIVATE COMMERCIAL VENTURE	GREEN
SHARED PARKING AGREEMENT	YELLOW
GROUND LEASE WITH PRIVATE COMMERCIAL VENTURE CRG RESPONSES COMBINED	BLUE
PUBLIC/PRIVATE PARTNERSHIP SUMMARY	A
MORGAN HILL SPORTS COMPLEX PHASE I PUBLIC-PRIVATE CONCEPT A	B
COST ESTIMATE FOR PHASE I PUBLIC-PRIVATE CONCEPT A	C
MORGAN HILL SPORTS COMPLEX MASTER PLAN PUBLIC-PRIVATE CONCEPT A	D
YOUTH SPORTS GROUPS LETTER(S) OF INTENT	E
OUTDOOR SPORTS COMPLEX MAINTENANCE/OPERATIONS MATRIX	F
FIELD USE ATTACHMENT	G
BIG LEAGUE DREAMS RESPONSE	H



**OUTDOOR SPORTS COMPLEX (OSC)
DEAL POINTS FOR O & M AGREEMENT**
Italics: Meeting notes of 6/21/05

City Manager's Recommendations	SPORTS GROUPS/MHYSA's Position:	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Agreement will be a lease with an initial term of 10 (ten) years, or implementation of Master Plan improvements, whichever is earlier 	<i>OK</i>	<i>10 years, with two-5 year options to renew</i>
<ul style="list-style-type: none"> Leased premises to include outdoor fields, certain buildings and parking (excluded: City well site and portion of parking to be "shared" with private commercial venture and Aquatics Center) 	<i>OK</i>	<i>Parking to be excluded and remain with City</i>
<ul style="list-style-type: none"> MHYSA to be party to shared use parking agreement with City and private company 	<i>OK</i>	<i>Scope – refer to second document</i>
<ul style="list-style-type: none"> City and MHYSA to mutually approve physical plan and construction schedule for "Phase I" improvements 	<i>OK</i>	PRC accepts City Manager's recommendation
<ul style="list-style-type: none"> City to obtain site and architectural approval and construct Phase I within \$2.5 million budget 	<i>OK</i>	PRC accepts City Manager's recommendation
<ul style="list-style-type: none"> MHYSA to provide such additional improvements to fields as they deem fit subject to City approval 	<i>OK</i>	PRC accepts City Manager's recommendation
<ul style="list-style-type: none"> MHYSA agrees to maintain fields, buildings and parking at standards acceptable to user groups and for community use 	<i>Define maintenance?</i>	<i>Omit Parking</i>
<ul style="list-style-type: none"> MHYSA agrees to pay utilities, assessments, fees and taxes 	<i>Assessment of cost? What are the figures?</i>	PRC accepts City Manager's recommendation
City to allocate income from any commercial venture to the MHYSA for the benefit of the OSC, either to meet O & M costs or to fund capital repair and replacement	<i>OK</i>	PRC accepts City Manager's recommendation

City Manager’s Recommendations	SPORTS GROUPS/MHYSA’s Position	Parks & Recreation Commission’s Recommendations
• MHYSA to submit annual budget and annual financial statement for City review	<i>OK, but City approval not required for O&M, only with capital funding</i>	<i>In-house audit to be conducted for informational purposes only</i>
• Prior to construction, MHYSA to prepare an initial O & M plan, budget and fee schedule for City review and approval	<i>OK</i>	PRC accepts City Manager’s recommendation
• If needed, City may allocate City funds to be used for O & M in the first two (2) years	<i>Want to know financial impact; review budget</i>	<i>Change to 3 years</i>
• MHYSA to establish a reservation process and schedule field use by youth sports groups	<i>OK</i>	<i>Is there a staff person? Will this be volunteered based? Establish strong contact information-either by phone or office hours.</i>
• City reserves use of outdoor fields for community events not to exceed 10 days per year, provided notice of no less than 120 days	<i>Define priorities for field use—who has it?</i>	<i>Priorities established by mutual consent and through the use of an annual use plan</i>
• MHYSA authorized to charge field use fees for reserved fields in accordance with the fee schedule approved by the City	<i>Ok</i>	<i>Review city-wide fees and equivalencies—i.e.: Community Park, Paradise rental rates</i>
• MHYSA to allow reasonable access to parking and to fields for community use when not reserved	<i>Define community use Stipulate as “Sports Park”, not public park; fear of overuse</i>	<i>Sports Park definition to be explored as long as reservable to all groups; Address drop-in use</i>
• City will inform MHYSA of scheduled activities at City facilities other than OSC, and will inform potential users of the opportunity to rent fields at the OSC	<i>Sharing of information, ok</i>	PRC accepts City Manager’s recommendation
• MHYSA is responsible to provide insurance and require field reservation users to provide insurance naming City as an additional insured	<i>Ok</i>	<i>MHYSA insurance carrier to review lease</i>

City Manager’s Recommendations	SPORTS GROUPS/MHYSA’s Position	Parks & Recreation Commission’s Recommendations
• MHYSA agrees to cooperate and not interfere with construction or operation of private commercial building on adjacent parcel	<i>Ok</i>	PRC accepts City Manager’s recommendation
• MHYSA has rights to income from sponsorships, concessions, retail sales, advertising, etc. subject to State law and Municipal Code	<i>Ok</i>	PRC accepts City Manager’s recommendation
		<i>Discussion as to what happens if The Coliseum is not part of the project; What are the proposed obligations to perform in that scenario?</i>

*Notes: MHYSA comprised of Pop Warner Football, Volleyball, Orchard Valley Youth Soccer, and Pony Baseball
Place on July PRC Agenda: Purpose of fields—should it be termed “Sports Park Use only” and define community use*



OUTDOOR SPORTS COMPLEX (OSC) Italics: minutes
DEAL POINTS FOR GROUND LEASE WITH PRIVATE COMMERCIAL VENTURE

City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Term: 20 years with options (City recognizes the lender may want a longer term for financing purposes and agrees to negotiate with the lender a term satisfactory to both parties) 	<ul style="list-style-type: none"> 30 years with two, ten year extensions (total of 50 years) 	<p><i>20 years with three, ten year options</i></p> <p><i>Note: tie-in to phase one time period due to potential 2nd phase which will require renegotiation</i></p>
<ul style="list-style-type: none"> Premises: approximately 2.5 acre site 	<p>"110,000 square feet maximum" (approx. 2.5 ac.) at the Outdoor Sports Complex. Currently being evaluated by CRG to ensure consistency with City development standards.</p>	<p><i>Immediate payment on 110,000 sq. ft. area, but initial building footprint is only 86,000 sq. ft. Parking may double the size of the parcel. Basically a ground lease on 2.5 acres.</i></p>
<ul style="list-style-type: none"> Parties: Morgan Hill RDA and private commercial venture with demonstrated financial and managerial capacity 	<ul style="list-style-type: none"> "In lieu of annual financial statements...we believe our investment plan to generate capital equity is reasonable evidence of our financial capacity to undertake the project." "CRG is operated by individuals with extensive backgrounds in large project management and participation in sporting activities." <p><i>Doug Payne (6/28/05) asked for criteria-</i></p>	<p><i>PRC accepted City Manager's recommendation.</i></p>
<ul style="list-style-type: none"> City/RDA to provide utility easements to site if not accessible from public street 	<ul style="list-style-type: none"> "The City of Morgan Hill will provide services up to leased space boundary." (p. 23, March 15, 2005) <p><i>Doug Payne believes this is a landlord cost (\$200,000 est.)</i></p>	<p><i>PRC accepted City Manager's recommendation if the parking lot is included as part of the boundary line. If not, it is recognized that it may be a \$200,000 cost which they think should be borne by the developer.</i></p>
<ul style="list-style-type: none"> City to provide a site on OSC property for a sign advertising the commercial facility; preferred to have shared sign with OSC 	<p><i>Requests shared, highly visible: Doug Payne (6/28/05)</i></p>	<p><i>PRC accepted City Manager's recommendation. Possible sign panel for sale in upcoming PUD ARB issue to decide on sign permitted.</i></p>
<p>The ground lease will not subordinate to any construction or permanent financing</p>	<p><i>No response.</i></p>	<p><i>PRC accepted City Manager's recommendation.</i></p>
<ul style="list-style-type: none"> Agency to provide parking in shared parking facility serving the OSC and Aquatics Center 	<ul style="list-style-type: none"> "There may be an opportunity for the Coliseum at Morgan Hill to share parking spaces during operations overflow should an overall synergistic parking solution be completed." (March 15, 2005) <p><i>Doug Payne stated: Coliseum wants to control parking they pay for if they are expected to pay for the improvement (6/28/05)</i></p>	<p><i>PRC requests an on-going discussion regarding the shared parking between Aquatics site, Coliseum and Field users with Council. The concern is whether there is enough for all of the site needs and PRC recognizes that this is a significant issue.</i></p>

City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Private company to build a commercial recreation facility with indoor fields (commitment to build specific project) 	<ul style="list-style-type: none"> Phase I is 97,000 s.f. including mezzanine (details on p. 6 of March 15, 2005 response) 	PRC accepted City Manager's Recommendations
<ul style="list-style-type: none"> Private company must continuously operate a commercial recreation facility for the term of the lease and it must operate the facility in accordance with an "Operations and Management Plan" approved as part of the lease 	<i>Doug Payne: wants</i> <ol style="list-style-type: none"> <i>Flexibility to respond to changes in the market.</i> <i>To be able to compete in the market</i> <i>Responsiveness from the City in reacting to Coliseum requests (within 30 days). (6/28/05)</i> 	<i>PRC noted: 1. Change in use shall not compete with IRC</i> <ol style="list-style-type: none"> <i>Market analysis has to show targeting different segment of the market within the same sport</i> <i>Include three elements in agreement/discussion "Flexibility, competition, responsiveness"</i> <i>City has to be reciprocal in the area of not competing for the same market segment within the same sport</i> <i>Establish a process in the lease so all can move with the market</i>
<ul style="list-style-type: none"> Private company must accept the property "as is" 		<i>PRC accepted City Manager's Recommendations</i>
<ul style="list-style-type: none"> The City will create a separate legal parcel, if required by the Lender 		<i>PRC accepted City Manager's Recommendations</i>
<ul style="list-style-type: none"> Property must be kept clear of liens 		<i>PRC accepted City Manager's Recommendations</i>
<ul style="list-style-type: none"> Any sub-leases must be approved by the City 	<i>Doug Payne: wants to be able to be Flexible, Competitive, and Responsive to the market (6/28/05)</i>	<i>PRC does not want to stipulate vendor arrangements but only larger group sub-leases:</i> <i>Want City to allow flexibility, competition, and responsive to changing markets</i> <i>Ask that a list of pre-approved uses and a list of prohibited uses be attached to the agreement</i> <i>Ask that criteria be established by which the lists will be formed</i>
<ul style="list-style-type: none"> Private Company must maintain facility at agreed upon standards otherwise Agency may maintain the facility and charge the Lessee 	<i>Doug Payne requested a copy of the expected standards. (6/28/05)</i>	<i>PRC noted it was agreed upon standards by both parties; accepted City Manager's Recommendations.</i>

City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Lease shall establish a schedule for construction and opening of operations <i>(need to achieve milestones)</i> 	<ul style="list-style-type: none"> CRG proposes a 40 week construction period (Appendix G, March 15, 2005) <i>Doug Payne requests that the City reach milestones as well; want to open by Labor Day. (6/28/05)</i> 	<p><i>PRC accepted City Manager's Recommendation adding that it should also be coordinated with outdoor fields.</i></p>
<ul style="list-style-type: none"> Operations and Management Plan to address program offerings and price structure to minimize competition with City's Indoor Recreation Center at Community Park 	<ul style="list-style-type: none"> "The management of the Coliseum at Morgan Hill views the Morgan Hill Indoor Recreation Center (IRC) as providing complementary recreation activities with minimal overlap in the types and levels of offerings." (March 15, 2005) 	<p><i>Same points as in item above "Private company must continuously operate a commercial recreation facility..."</i> <i>Responding to flexibility, competition and responsive/timeliness issues.</i></p>
<ul style="list-style-type: none"> Any insurance proceeds received by the Lessees for damages must be used to rebuild/repair of the facility 		<p><i>PRC accepts City Manager's Recommendation</i></p>
<ul style="list-style-type: none"> Private company responsible for application for land use entitlements, environmental assessments, site and architectural review permit and building permit, and shall pay all fees due in accordance with Municipal Code 	<ul style="list-style-type: none"> CRG proposes to be responsible for onsite improvements only, but project proforma includes an allowance of \$120,000 for certain offsite costs <p>CRG proposes that the City extend utilities to the leased premises</p> <p>CRG proforma includes only \$465,000 of estimated \$1.2 million in impact fees. Unclear if processing fees included</p>	<p><i>PRC accepts City Manager's Recommendation</i></p>
<ul style="list-style-type: none"> Private company responsible for constructing and paying all costs of parking improvements and other development costs in accordance with City standards 	<ul style="list-style-type: none"> CRG proposes unspecified partnership with City for construction of parking 	<p><i>Covered previously, PRC recommends continuing the discussion with the City.</i></p>
<ul style="list-style-type: none"> Parking improvements may be on a nearby site, or located on the City's OSC in which case calculation of private company's obligation will take into account shared parking 		<p><i>Covered previously, PRC recommends continuing the discussion with the City.</i></p>
<ul style="list-style-type: none"> Any use of City owned outdoor facilities would need to be negotiated with the City and/or the non profit operator 	<ul style="list-style-type: none"> "The Coliseum at Morgan Hill requests operating access for 100% of the Outdoor Sports Complex up to 10 weekends per year." (p. 27, March 15, 2005) <i>Doug Payne: will work up to 10 weekends per year, but not expected in the initial year(s). (6/28/05)</i> 	<ul style="list-style-type: none"> PRC has asked that the 10 weekends of use requested by CRG not be included in the lease agreement, rather that there be a rental fee associated with it <p><i>Request that it tie-in to the overall scheduling process</i></p>

City Manager’s Recommendations	Coliseum Recreation Group’s Proposal	Parks & Recreation Commission’s Recommendations
<ul style="list-style-type: none">Lease Payments: Base ground lease payment adjusted every five years based on an index Percentage rent based on gross sales over a designated minimum Common Area Maintenance fee for parking, landscaping, other common areas (Target annual income in first year is \$150,000)	\$80,000 first year lease rate	<i>Target lease \$150,000 first year Establish a fixed amount rate increase based on projected gross sales with a designated miimum</i>
<ul style="list-style-type: none">End of lease, Lessee responsible for removing improvements and restoring site; or alternatively, Agency may elect to accept ownership of improvements and use for any purpose		<i>PRC accepts City Manager’s Recommendation</i>
<ul style="list-style-type: none">Events of default: Failure to maintain insurance Failure to meet lease payment obligations Failure to abide by Operations and Maintenance Plan and operate continuously as a commercial recreation facility Failure to comply with terms and conditions of land use entitlement Failure to complete construction of the facility in a timely manner Failure to meet financing obligations		<i>PRC accepts City Manager’s Recommendation.</i>

City Manager’s Recommendations	Coliseum Recreation Group’s Proposal	Parks & Recreation Commission’s Recommendations
<ul style="list-style-type: none">Remedies: During initial 20 year term, lender may cure by substituting new operator provided that all other terms and conditions are complied with City/Agency may cure and operate the facility for any purpose Lessee responsible for removing improvements and restoring site to original condition if construction is not completed in a timely manner		<i>PRC accepts City Manager’s Recommendation.</i>
<ul style="list-style-type: none">Substitution: Except in the event of default, no substitution without approval of City in its sole judgment		<i>Add “and absolute” between sole and judgment.</i>
		<i>Annual Plan to coordinate the overall schedule of the facility to take into consideration uses, reservations, parking and impact on surrounding area. May require a priority system developed between parties. This is a new item to be added to the deal points.</i>

Sources:

March 15, 2005 Response to RFP

May 12, 2005 Response to RFP



**OUTDOOR SPORTS COMPLEX (OSC)
DEAL POINTS FOR SHARED PARKING AGREEMENT**

**Italics are minutes from 6/21/05*

City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Parties to the Agreement: City of Morgan Hill (Aquatics), Morgan Hill RDA, MHYSA and private commercial venture 	<ul style="list-style-type: none"> CRG proposes "allocation of resources" to conduct "Joint Private/Public Partnership Parking Study and Plan" (May 12, 2005 and March 15, 2005)— <i>Suggest all 3 parties pay; 5 day study; need aquatics parking study</i> 	<p><i>CRG asked to bring their parking need numbers; Aquatics Center & Sports Groups to bring their estimates for parking over a calendar year/</i></p> <p><i>Discussed that the shared use agreement may be addressed in the EIR process; Zoning code requirements to be addressed in allocating shared parking</i></p>
<ul style="list-style-type: none"> Term: ten (10) years or until OSC Master Plan is implemented; however, it is recognized that private commercial venture will need some assurance that parking will be available during the financing term of the private project 		<p><i>10 years, with two- 5 year options</i></p>
<ul style="list-style-type: none"> MHYSA will be responsible for maintenance, repair and replacement of parking facilities constructed by City as part of Phase I OSC improvements 		<p><i>Clean-up trash only; MHYSA can't afford maintenance of parking spaces and how would the city allocate community's share?</i></p>
<ul style="list-style-type: none"> Private commercial venture will be responsible for maintenance, repair and replacement of parking facilities that it may be required to construct as part of its project 	<ul style="list-style-type: none"> CRG proposes "Joint Private/Public Partnership Parking Study and Plan" (May 12, 2005) 	<p><i>MHYSA can't afford maintenance if study suggests it; Rather propose possibly some funding set aside monthly to address; Leave up to the groups to address with City.</i></p>
<ul style="list-style-type: none"> From time to time, either City or private commercial venture may improve the portion of parking it has constructed subject to continued access to all spaces 	<ul style="list-style-type: none"> "An expansion improvement is something we've considered, but needs to be considered as part of other economic or business factors." (May 12, 2005) <p>Requested assistance from the Agency/City: "Execution of short and long term [parking improvement] plans in a timely manner to match business requirements of the Sports Complex." (March 15, 2005, p. 27)</p>	<p><i>Same as above</i></p>

City Manager’s Recommendations	Coliseum Recreation Group’s Proposal	Parks & Recreation Commission’s Recommendations
<ul style="list-style-type: none"> MHYSA shall ensure a minimum of two access points from a public street which must be available during hours of operation of the OSC, Aquatics Center, or private commercial venture; provided, however, that upon approval of the Aquatics Center and private venture, MHYSA may designate certain spaces and access points for paid parking by patrons of events at the OSC 	<ul style="list-style-type: none"> “There may be an opportunity for the Coliseum at Morgan Hill to share parking spaces during operations overflow should an overall synergistic parking solution be completed.” (March 15, 2005) 	<i>ok</i>
<ul style="list-style-type: none"> Parties to record reciprocal parking easements and CC&Rs for maintenance, if required 		<i>ok</i>
<ul style="list-style-type: none"> Insurance: each party will provide insurance and indemnities 		<i>ok</i>

Additional Comments: Don Mott representing MHYSA asked that the setback waiver be applied along Condit Road for overflow parking – ask Council to accommodate angled parking—no action taken
Don Mott asked for CIP funds allocated to the Monterey Soccer Site be redistributed to this project and for the PRC to recommend to Council—
PRC asked to have this agenized for July PRC meeting



<p align="center">OUTDOOR SPORTS COMPLEX (OSC) DEAL POINTS FOR GROUND LEASE WITH PRIVATE COMMERCIAL VENTURE <i>Italics: minutes Underline: CRG provided after PRC review</i></p>		
City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Term: 20 years with options (City recognizes the lender may want a longer term for financing purposes and agrees to negotiate with the lender a term satisfactory to both parties) 	<ul style="list-style-type: none"> 30 years with two, ten year extensions (total of 50 years) Update 7/19 – Needs to be co-terminus with Shared Parking agreement or as determined by Lender. See Shared Parking agreement item #2. 	<p><i>20 years with three, ten year options</i></p> <p><i>Note: tie-in to phase one time period due to potential 2nd phase which will require renegotiation</i></p>
<ul style="list-style-type: none"> Premises: approximately 2.5 acre site 	<p>“110,000 square feet maximum” (approx. 2.5 ac.) at the Outdoor Sports Complex. Currently being evaluated by CRG to ensure consistency with City development standards. – <u>DONE, see staff report.</u></p>	<p><i>Immediate payment on 110,000 sq. ft. area, but initial building footprint is only 86,000 sq. ft. Parking may double the size of the parcel. Basically a ground lease on 2.5 acres.</i></p>
<ul style="list-style-type: none"> Parties: Morgan Hill RDA and private commercial venture with demonstrated financial and managerial capacity 	<ul style="list-style-type: none"> “In lieu of annual financial statements...we believe our investment plan to generate capital equity is reasonable evidence of our financial capacity to undertake the project.” <p>“CRG is operated by individuals with extensive backgrounds in large project management and participation in sporting activities.”</p> <p><i>Doug Payne (6/28/05) asked for criteria</i> <i>Update, 7/19/05 – CRG is a sports venue development and management company. As such, it is probable that some sports, products, or percentages of the facility will be contracted to partners with core expertise. CRG's core competency centers on the strategic opportunity, business plan, and execution of the venture. This needs to be considered against any evaluation criteria that might be developed.</i></p>	<p><i>PRC accepted City Manager's recommendation.</i></p>

City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> City/RDA to provide utility easements to site if not accessible from public street 	<ul style="list-style-type: none"> "The City of Morgan Hill will provide services up to leased space boundary." (p. 23, March 15, 2005) <p><i>Doug Payne believes this is a landlord cost (\$200,000 est.) Update 7/19/05 – We have reviewed the detailed on/off site estimates from City staff (rec'd week of 7/10) and currently investigating lower cost alternatives. We'd like to be position to cover a significant portion of these costs vs. other costs (Example: Development fees, lease payments above what has been submitted in the 3/15/05 RFP) → Will update specifics if bids are rec'd and financial commitment and/or ROI impact approved by CRG Principals prior to 7/27 Council meeting.</i></p>	<p><i>PRC accepted City Manager's recommendation if the parking lot is included as part of the boundary line. If not, it is recognized that it may be a \$200,000 cost which they think should be borne by the developer.</i></p>
<ul style="list-style-type: none"> City to provide a site on OSC property for a sign advertising the commercial facility; preferred to have shared sign with OSC 	<p><i>Requests shared, highly visible: Doug Payne (6/28/05)</i></p>	<p><i>PRC accepted City Manager's recommendation. Possible sign panel for sale in upcoming PUD ARB issue to decide on sign permitted.</i></p>
<p>The ground lease will not subordinate to any construction or permanent financing</p>	<p><u><i>At lender's discretion, see item 1.</i></u></p>	<p><i>PRC accepted City Manager's recommendation.</i></p>
<ul style="list-style-type: none"> Agency to provide parking in shared parking facility serving the OSC and Aquatics Center 	<ul style="list-style-type: none"> "There may be an opportunity for the Coliseum at Morgan Hill to share parking spaces during operations overflow should an overall synergistic parking solution be completed." (March 15, 2005) <p><i>Doug Payne stated: Coliseum wants to control parking they pay for if they are expected to pay for the improvement (6/28/05)</i></p>	<p><i>PRC requests an on-going discussion regarding the shared parking between Aquatics site, Coliseum and Field users with Council. The concern is whether there is enough for all of the site needs and PRC recognizes that this is a significant issue.</i></p>
<ul style="list-style-type: none"> Private company to build a commercial recreation facility with indoor fields (commitment to build specific project) 	<ul style="list-style-type: none"> Phase I is 97,000 s.f. including mezzanine (details on p. 6 of March 15, 2005 response) 	<p>PRC accepted City Manager's Recommendations</p>

City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Private company must continuously operate a commercial recreation facility for the term of the lease and it must operate the facility in accordance with an "Operations and Management Plan" approved as part of the lease 	<p><i>Doug Payne: wants</i></p> <ol style="list-style-type: none"> <i>Flexibility to respond to changes in the market.</i> <i>To be able to compete in the market</i> <i>Responsiveness from the City in reacting to Coliseum requests (within 30 days). (6/28/05)</i> <p><u><i>Comment 7/19 - Public oversight over a private business entity's internal operations is debatable requirement. To the extent this item might be resolved into practice as "approvals, oversight, or auditable criteria", this may be deemed unworkable.</i></u></p>	<p><i>PRC noted:</i></p> <ol style="list-style-type: none"> <i>Change in use shall not compete with IRC</i> <i>Market analysis has to show targeting different segment of the market within the same sport</i> <i>Include three elements in agreement/discussion "Flexibility, competition, responsiveness"</i> <i>City has to be reciprocal in the area of not competing for the same market segment within the same sport</i> <i>Establish a process in the lease so all can move with the market</i>
<ul style="list-style-type: none"> Private company must accept the property "as is" 		<i>PRC accepted City Manager's Recommendations</i>
<ul style="list-style-type: none"> The City will create a separate legal parcel, if required by the Lender 		<i>PRC accepted City Manager's Recommendations</i>
<ul style="list-style-type: none"> Property must be kept clear of liens 		<i>PRC accepted City Manager's Recommendations</i>
<ul style="list-style-type: none"> Any sub-leases must be approved by the City 	<p><i>Doug Payne: CRG must be Flexible, Competitive, and Responsive to the market (6/28/05)</i></p> <p><u><i>Update 7/19/05 – Mutually agreed upon list of "non-qualify" industry types segments is acceptable. A restrictive list of company's, brands, services, etc. within the sport/recreation/performance training market is not acceptable.</i></u></p> <p><u><i>Nor is any approval process that might be deemed by CRG to be excessive in length and/or approval criteria.</i></u></p>	<p><i>PRC does not want to stipulate vendor arrangements but only larger group sub-leases:</i></p> <p><i>Want City to allow flexibility, competition, and responsive to changing markets</i></p> <p><i>Ask that a list of pre-approved uses and a list of prohibited uses be attached to the agreement</i></p> <p><i>Ask that criteria be established by which the lists will be formed</i></p>
<ul style="list-style-type: none"> Private Company must maintain facility at agreed upon standards otherwise Agency may maintain the facility and charge the Lessee 	<p><i>Doug Payne requested a copy of the expected standards. (6/28/05)</i></p>	<p><i>PRC noted it was agreed upon standards by both parties; accepted City Manager's Recommendations.</i></p>
<ul style="list-style-type: none"> Lease shall establish a schedule for construction and opening of operations <i>(need to achieve milestones)</i> 	<ul style="list-style-type: none"> CRG proposes a 40 week construction period (Appendix G, March 15, 2005) <p><i>Doug Payne requests that the City reach milestones as well; want to open by Labor Day. (6/28/05)</i></p>	<p><i>PRC accepted City Manager's Recommendation adding that it should also be coordinated with outdoor fields.</i></p>

City Manager’s Recommendations	Coliseum Recreation Group’s Proposal	Parks & Recreation Commission’s Recommendations
<ul style="list-style-type: none">Operations and Management Plan to address program offerings and price structure to minimize competition with City’s Indoor Recreation Center at Community Park	<ul style="list-style-type: none">“The management of the Coliseum at Morgan Hill views the Morgan Hill Indoor Recreation Center (IRC) as providing complementary recreation activities with minimal overlap in the types and levels of offerings.” (March 15, 2005)<u>CRG has provided pricing, product, services, and market analysis that shows how the programming will differ significantly.</u>	<i>Same points as in item above “Private company must continuously operate a commercial recreation facility...” Responding to flexibility, competition and responsive/timeliness issues.</i>
<ul style="list-style-type: none">Any insurance proceeds received by the Lessees for damages must be used to rebuild/repair of the facility	<u>Or as determined by insurance provider and/or financial institutions.</u>	<i>PRC accepts City Manager’s Recommendation</i>
<ul style="list-style-type: none">Private company responsible for application for land use entitlements, environmental assessments, site and architectural review permit and building permit, and shall pay all fees due in accordance with Municipal Code	<ul style="list-style-type: none">CRG proposes to be responsible for onsite improvements only, but project proforma includes an allowance of \$120,000 for certain offsite costs <p>CRG proposes that the City extend utilities to the leased premises CRG Performa includes only \$465,000 of estimated \$1.2 million in impact fees. Unclear if processing fees included</p> <p><u>Update 7/19 - We have reviewed the detailed on/off site estimates from City staff (rec’d week of 7/10) and currently investigating lower cost alternatives. We’d like to be position to cover a significant portion of these costs vs. other costs (Example: Development fees, lease payments above what has been submitted in the 3/15/05 RFP) → Will update specifics if bids are rec’d and financial commitment and/or ROI impact approved by CRG Principals prior to 7/27 Council meeting.</u></p>	<i>PRC accepts City Manager’s Recommendation</i>

City Manager's Recommendations	Coliseum Recreation Group's Proposal	Parks & Recreation Commission's Recommendations
<ul style="list-style-type: none"> Private company responsible for constructing and paying all costs of parking improvements and other development costs in accordance with City standards 	<ul style="list-style-type: none"> CRG proposes unspecified partnership with City for construction of parking, specifically if we are unable to control/influence the required number parking spaces. <u>Update We have reviewed the detailed parking estimates from City staff (rec'd week of 7/10) and currently investigating lower cost alternatives. We'd like to be position to cover a significant portion of these costs vs. other costs (Example: Development fees, lease payments above what has been submitted in the 3/15/05 RFP) → Will update specifics if bids are rec'd and financial commitment and/or ROI impact approved by CRG Principals prior to 7/27 Council meeting.</u> 	<p><i>Covered previously, PRC recommends continuing the discussion with the City.</i></p>
<ul style="list-style-type: none"> Parking improvements may be on a nearby site, or located on the City's OSC in which case calculation of private company's obligation will take into account shared parking 		<p><i>Covered previously, PRC recommends continuing the discussion with the City.</i></p>
<ul style="list-style-type: none"> Any use of City owned outdoor facilities would need to be negotiated with the City and/or the non profit operator 	<ul style="list-style-type: none"> "The Coliseum at Morgan Hill requests operating access for 100% of the Outdoor Sports Complex up to 10 weekends per year." (p. 27, March 15, 2005) <i>Doug Payne: will work up to 10 weekends per year, but not expected in the initial year(s). (6/28/05)</i> <u>Update 7/19 – This is NOT EXCLUSIVE ACCESS to the detriment of the local community sports leagues. CRG Presents! is intended to be a production company (analogous to Bill Graham Presents! at Shoreline for concerts). We envision a three-fold benefit to Morgan Hill [1] Visibility and awareness through Marketing/Media/Promotions [2] Increased traffic to drive increased spending in local stores, restaurants, gas stations, hotels, etc. [3] Attracting the attention and interest of key potential benefactors to benefit "The Games Foundation" and enable Phase 2 capital expansion opportunities.</u> 	<ul style="list-style-type: none"> PRC has asked that the 10 weekends of use requested by CRG not be included in the lease agreement, rather that there be a rental fee associated with it <p><i>Request that it tie-in to the overall scheduling process</i></p>
<ul style="list-style-type: none"> End of lease, Lessee responsible for removing improvements and restoring site; or alternatively, Agency may elect to accept ownership of improvements and use for any purpose 	<p><u>Update 7/19 – CRG understands the requirement & intent. Agency accepting ownership of improvements is our position.</u></p>	<p><i>PRC accepts City Manager's Recommendation</i></p>

City Manager’s Recommendations	Coliseum Recreation Group’s Proposal	Parks & Recreation Commission’s Recommendations
<ul style="list-style-type: none">Events of default: Failure to maintain insurance Failure to meet lease payment obligations Failure to abide by Operations and Maintenance Plan and operate continuously as a commercial recreation facility Failure to comply with terms and conditions of land use entitlement Failure to complete construction of the facility in a timely manner Failure to meet financing obligations	<p>→ Failure to abide by Operations and Maintenance Plan and operate continuously as a commercial recreation facility → <u>see comments about public oversight of private entity.</u></p>	<p><i>PRC accepts City Manager’s Recommendation.</i></p>
<ul style="list-style-type: none">Remedies: During initial 20 year term, lender may cure by substituting new operator provided that all other terms and conditions are complied with City/Agency may cure and operate the facility for any purpose Lessee responsible for removing improvements and restoring site to original condition if construction is not completed in a timely manner	<p><u>Length of term as determined jointly between Agency, CRG, Lender.</u></p>	<p><i>PRC accepts City Manager’s Recommendation.</i></p>

City Manager’s Recommendations	Coliseum Recreation Group’s Proposal	Parks & Recreation Commission’s Recommendations
<ul style="list-style-type: none">Substitution: Except in the event of default, no substitution without approval of City in its sole judgment		<i>Add “and absolute” between sole and judgment.</i>
		<i>Annual Plan to coordinate the overall schedule of the facility to take into consideration uses, reservations, parking and impact on surrounding area. May require a priority system developed between parties. This is a new item to be added to the deal points.</i>
Lease payments Base ground lease payment adjusted every five years based on an index. Percentage rent based on gross sales over a designated minimum Common Area Maintenance fee for parking, landscaping, other common areas (Target annual income in first year is \$150,000).	<u>CRG Response 7/19-</u> <u>Base ground lease payment adjust to Consumer Price index rate of inflation, trailing 5 year average.</u> <u>Percentage rent not available in years 0 thru 5 of operations.</u> <u>Possibility to review in Year 5 once Operations/Revenue stream stabilize and the following CRG criteria are met.</u> <ul style="list-style-type: none"><u>CRG’s must re-invest cash in the business (growth, expansion, sales/marketing)</u><u>CRG must meet investor/financial obligations</u><u>Outdoor complex gross margins are shown to require CRG as a City profit center vs. offsetting O&M costs.</u>	<i>Target lease \$150,000 first year</i> <i>Establish a fixed amount rate increase based on projected gross sales with a designated minimum</i>

Sources:

March 15, 2005 Response to RFP

May 12, 2005 Response to RFP

Morgan Hill Sports Complex

Private/Private Partnership Summary

Draft • July 19, 2005

Private Building Square Footage

Phase One:	86,000 s.f.
Phase Two:	<u>24,000 s.f.</u>

Total:	110,000 s.f.
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(Does not include trash enclosure, mechanical room)

Private Parcel Square Footage:	228,269 s.f.
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(Parcel includes 25' setback on south (aquatics center) side to accommodate trash enclosure/mechanical design. Final placement of building may be adjusted slightly based on final design. Final parcel size may vary based on final building placement and location of Condit Road right-of-way)

Parking Supply

Sports Complex	
"Private" Parcel	234
"Public" Parcel	376

Subtotal Sports Complex:	610
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Includes 8 accessible parking spaces on the public parcel and 7 accessible spaces on the private parcel. Total number of parking spaces may vary based on final parking layout, landscape requirements, etc.

Aquatics Center	
Paved	130
Summer Overflow	124

Subtotal Aquatics Center	254
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Total Parking Supply	864
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Parking Needs

"Public" Outdoor Sports Complex

(Based on average number of spaces needed per field as identified in the 2002 Master Plan Analysis)

Parking spaces needed per baseball/softball field = 30	
30 x 5 fields =	150

Parking spaces needed per soccer fields = 30	
30 x 6 fields =	180

Parking for volleyball/misc. use:	28
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Parking needs <u>if all fields running simultaneously:</u>	358
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Aquatics Center

(Based on Aquatics Center EIR)

Weekend need	205
Weekday need	126

Coliseum

(Based on information provided by The Coliseum Recreation Group)

Jan.-Mar.	500
Apr.-Jun.	375
Jul.-Sept.	375
Oct.-Dec.	450

Peak times are 5-10 p.m. plus weekends

Date: July 19, 2005

The City of Morgan Hill
Morgan Hill Sports Complex, Phase 1
Summary of Cost Estimate

Project Costs

1) Non-Construction Costs:		
	Property/Environmental =	\$0
2) Construction Cost:		
a) On-Site Work (line 63)	\$1,527,740	
b) Off-Site Work (line 64)	\$200,000	
c) Owner Construction Cost Subtotal (line 66)	\$1,727,740	
	Owner Construction Cost (line 69) =	\$1,900,514
	Construction Contingency (10%)(line 70) =	\$190,051
3) Project Fees & Contingencies ("Soft Costs"):		
a) Architectural/Engineering Basic Design Services	\$161,543.66	
b) Reimbursable Expenses	\$9,502.57	
c) City Staff - Planning/Design/Construction	\$19,005.14	
d) Other Fees	\$60,000.00	
e) Miscellaneous Costs (permits, testing)	\$22,806.16	
f) Escalation Cost	\$57,015.41	
	Project Fee Total with escalation (line 107) =	\$329,873
4) Equipment Cost:	Equipment Total =	\$50,000
	Project Total =	\$2,470,438

PROJECT COST ESTIMATE

Morgan Hill Sports Complex, Phase 1

Date: July 19, 2005
 Prep: MCW
 Chk: LS

1) Non-Construction Cost Estimate Items:

	Quantity	Unit	Unit Cost	Cost
Budget Allocation				\$0.00
17 Property Cost	0	SF or AC	\$0.00	\$0.00
18 Property Acquisition Fees (Survey, Appraisal, Negotiator's Fee, Attorney Fees, etc - 1% Property Cost)	0	LS	\$0.00	\$0.00
19 Environmental Document	0	LS	\$0.00	\$0.00
<hr/>				
20 TOTAL PROJECT NON-CONSTRUCTION COST (add line 17, 18, 19)			Total =	\$0.00

2) Construction Cost Estimate:

	Quantity	Unit	Unit Cost	Cost
ON-SITE WORK				
Budget Allocation (from \$8 to \$10 per sf)	0	SF	\$0.00	\$0
DEMOLITION, GRADING & DRAINAGE				
21 Clear & Grub	193,071	SF	\$0.15	\$28,961
22 Earthwork	4.43	AC	\$25,000.00	\$110,750
23 Drainage	4.43	AC	\$20,000.00	\$88,600
UTILITIES				
24 Sewer	250	LF	\$50.00	\$12,500
25 Domestic Water	1	LS	\$10,000.00	\$10,000
26 Potable Water Line (Restrooms, Drinking Fountain)	2,300	LF	\$15.00	\$34,500
27 First Phase Electrical	1	LS	\$165,000.00	\$165,000
PARKING LOT				
28 Drainage Parking Lot (exist. Parking lot)	2.50	AC	\$10,000.00	\$25,000
29 Baserock Parking (add 2" (E) Lot, 8" for Overflow)	2,724.00	TN	\$40.00	\$108,960
29a Interim Stabilization	142,451.00	SF	\$0.50	\$71,226
31 Striping (Parking Lot)	1	LS	\$5,000.00	\$5,000
CONCESSION & PLAZA AREA				
32 Concession Stand & Restrooms	1	LS	\$170,000.00	\$170,000
33 Drinking Fountain	1	EA	\$3,000.00	\$3,000
34 4" Base Rock (Plaza Space)	1,929	TN	\$40.00	\$77,160
FIELD IMPROVEMENTS & PLAZA AREA				
36 Standard Irrigation for Baseball/Softball Side	465,004	SF	\$1.00	\$465,004
37 Finish Grading for Pony & Bronco Infield Turf	9,209	SF	\$0.50	\$4,605
(1) PONY BASEBALL FIELD				
43 Backstop	1	EA	\$25,000.00	\$25,000
44 Chain Link Fence with Mow Band (Dugout)	60	LF	\$86.50	\$5,190
45 Drinking Fountain	1	EA	\$3,000.00	\$3,000
(1) BRONCO BASEBALL FIELD				
46 Backstop	1	EA	\$15,000.00	\$15,000
47 Chain Link Fence with Mow Band (Dugout)	80	LF	\$86.50	\$6,920
48 Drinking Fountain	1	EA	\$3,000.00	\$3,000
(3) SOFTBALL/BASEBALL FIELDS				
49 Backstop	3	EA	\$15,000.00	\$45,000

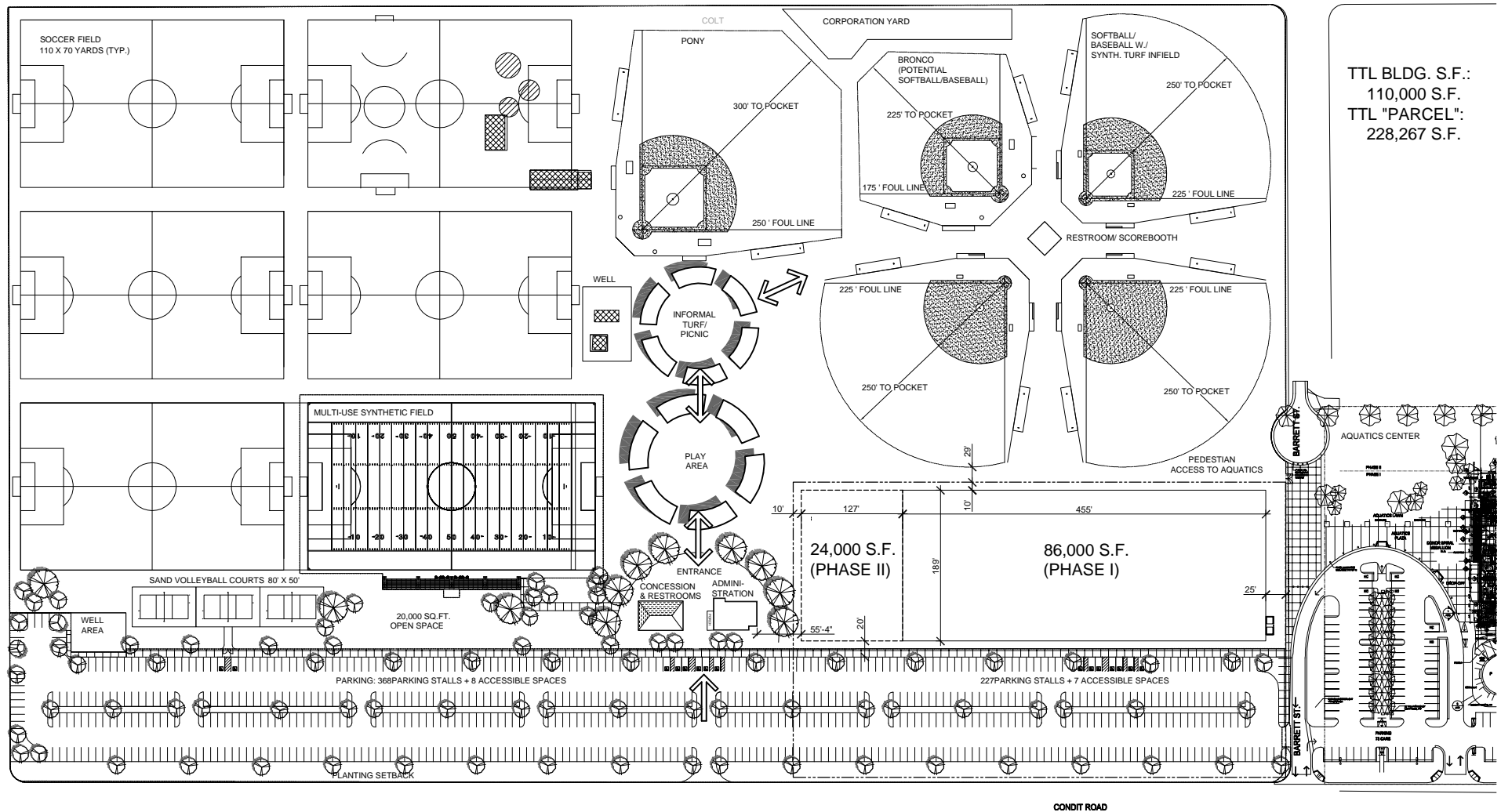
50	Chain Link Fence with Mow Band (Dugout)	210	LF	\$86.50	\$18,165
51	Drinking Fountain	1	EA	\$3,000.00	\$3,000
	(3) SAND VOLLEYBALL COURTS				
52	Curb	580	LF	\$40.00	\$23,200
63	(add lines 21 through 51)			On-Site Sub-Total=	\$1,527,740
	OFF-SITEWORK				
	Budget Allocation	0	SF	\$0.00	\$0
64	Off-Site Allowance	1	LS	\$200,000.00	\$200,000
65	Subtotal (line 64)			Off-Site Sub-Total=	\$200,000
66	(add lines 63, 65)			Construction Cost Subtotal =	\$1,727,740
	<i>Contractor's Multipliers</i>				
67	General Condition Costs and Mobilization (5%) *				\$86,387
68	Design Contingency (5%) *				\$86,387
69	(add 66, 67, 68)			Owner's Construction Cost Total (w/ multipliers) =	\$1,900,514
70				Construction Contingency (10%)=	\$190,051
71	(add 69, 70)			Total=	\$2,090,565
	<u>*Shown as a percent of "Construction Cost" Sub Total only</u>				

3) Project Fees

	Budget Allocation				
	PROFESSIONAL FEES				
102	Architectural/Engineering Basic Design Services	8.5%	of Construction Cost		\$161,544
103	Reimbursable Expenses	0.50%	of Construction Cost		\$9,503
104	City Staff - Planning/Design/Construction	1%	of Construction Cost		\$19,005
105	Other Fees				
	Geotech /Soils Report (Allowance)				\$15,000
	Site Survey (Allowance)				\$10,000
	CEQA				\$35,000
	Miscellaneous Costs (permits, testing)	1.2%	of Construction Cost		\$22,806
106	Escalation Cost	3.0%			\$57,015
107	(add line 102 through 106)			Project Fees Total =	\$329,873
	<u>*Shown as a percent of "Owner's Construction Cost w/ Multipliers" Sub Total only</u>				

4) Equipment:

200	Overhead Irrigation System (Soccerfields)	2	EA	\$14,000.00	\$28,000
201	Tractor & Mower	1	LS	\$22,000.00	\$22,000
202	(add line 201 through 202)			Equipment Total =	\$50,000

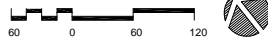


TTL BLDG. S.F.:
110,000 S.F.
TTL "PARCEL":
228,267 S.F.

Morgan Hill Sports Complex

City of Morgan Hill

Draft July 2005



Bellinger Foster Steinmetz

299 Cannery Row
Monterey, CA 93940
PH 831.646.1383
Project #02.031

Landscape Architecture
FX 831.373.8653
EM go@bfsla.com

OUTDOOR SPORTS COMPLEX
MAINTENANCE/OPERATIONS MATRIX

c d e f g h i j k l m n o q				MAINTENANCE ACTIVITY/ANNUAL COSTS											
OPERATOR	EQUIP REPAIR & MAINT	OVERHEAD INCLUDES INSURANCE	PROGRAM COORD.	LEASE PAYMENT	IRRIGATION REPAIR	CAP OF EQUIP	TURF MAINTENANCE & REPAIR	MISC. PH. SUPP.	RESTROOM & CONCESSIONS SUPPLIES & CUSTODIAN	UTILITIES WATER ELEC.	LITTER LABOR & SUPPLIES	PARKING LOT MAINT.	WATER PUMP REPAIR REPLACE	TRASH DISPOSAL & DUMPSTERS	TOTAL ANNUAL MAINT. COSTS
CALIF. YOUTH SOCCER ASSOC.	\$2,653	\$4,180	NOT INCLUDED	\$27,694	NOT INCLUDED	NOT INCLUDED	\$86,489	\$1,516	NOT INCLUDED	\$40,000	INCLUDED IN TURF MAINT.	INCLUDED IN TURF MAINT.			*\$162,532
CITY OF MORGAN HILL	NOT INCLUDED	** \$16,653	* \$31,200	NA	NOT INCLUDED	NOT INCLUDED	\$169,191 INCLUDES, IRR., FIELDS, LITTER, & PARKING LOT MAINT.	INCL. IN OVER HEAD	* \$16,380	\$40,000	INCLUDED IN TURF MAINT.	INCLUDED IN TURF MAINT.			\$273,424
COLISEUM															\$146,728
MORGAN HILL YOUTH SPORTS ALLIANCE															\$127,000
***NON-PROFIT SPORTS GROUP	\$2,653	\$4,180	N/A		\$9,000	\$5,000	\$70,000	\$1,516	\$4,000	\$43,100	\$500	0	\$5,000	\$4,500	\$149,449

* PROGRAM COORDINATOR @ \$30/HR X 20 HRS/WK = \$600 X 52 WKS CUSTODIAN \$15/HR X 21 HRS/WK = \$315 X 52 WKS

**35% OF PROGRAM COORDINATOR AND CUSTODIAN COSTS

*Not included within this cost is an annual operational budget deficit. According to Frank Murado, Executive Director of CYSA, this deficit has averaged \$32,500 over a 4 year period.

***Key to second iteration

Column c	\$2,653	Same as CYSA
Column d	\$4,180	Same as CYSA
Column e	-0-	Not applicable
Column f	?	To be determined
Column g	\$9,000	Irrigation repairs
Column h	\$5,000	Assumes \$50,000, 10 year straight line depreciation
Column i	\$70,000	Wages & other, 1 full time groundskeeper, turf maint. materials, inc. fertilizer, seed, sod, gold fines, weed abatement
Column j	\$1,518	Same as CYSA
Column k	\$4,000	Restroom & concession stand basic supplies, inc. T-P, paper towels, trash bags
Column l	\$43,100	Includes \$20,000 PGE & \$23,100 water (allowing for 10% increment on water rate)
Column m	\$500	Trash bags for grounds
Column n	tbd	We need further definition of what is being requested/required
Column o	\$5,000	Water pump maintenance and repairs & replacement contingency
Column p	\$4,500	Trash removal, including dumpsters and pickup



CITY OF MORGAN HILL

Memorandum

Date: July 21, 2005

To: Ed Tewes, City Manager

From: Julie Spier, Special Assistant to the City Manager

Subject: Big League Dreams response to Outdoor Sports Complex Private Operator Proposal

Big League Dreams is an example of a privately operated facility. As reported to Council in December 2004, presentation materials were shared with the sub-committee and the Parks and Recreation Commission but there remain questions regarding community access, schedule control, and fees. Big League Dreams is a commercial enterprise that develops sport projects depicting replicas of famous major league stadiums with amenities including restaurant and bar facilities. They are a business that must generate a return on investment through field rentals, concessions, tournaments, and restaurant and bar service.

Big League Dreams Consulting Vice President Don Webber provided the following information on November 9, 2004. There are four Big League Dreams parks open now with a total of 14 projects in different phases of development. Business deal points are negotiated with each project/city but may include some capital investment and/or rental revenue stream. Initial return on investment may be \$200,000/year. They do require the communities to provide the land and require complete build-out of the project. They prefer to become involved in the planning and design stage as there are some design requirements in order to meet their needs.

Big League Dreams has completed a demographic and market study and found the Morgan Hill area favorable to this type of project. In working with communities they develop a priority system of access according to community desires: typically first are local youth leagues, and second are local adult leagues. Entrance fee is \$1 for children playing a game, which provides them a drink token and adults pay a \$2 entrance fee. There is no entrance fee charge if no program is occurring in the facility and practice fields are available for free.

Mr. Webber indicated that the current master plan (adopted 12/04) works with some modifications as: everything has to be lighted; will need to change out the bronco field; fields to be multi-use so baseball would have no grass infield and there business model requires 6300 sq. ft. concession building for every three-field configuration.

There are three issues that concern communities from Mr. Webber's point of view:

1. The selling of alcohol at the complex
2. Charge token fee
3. Dirt infields

Big League Dreams was very interested in responding to a request for proposal until the requests were sent out. This information was shared with the Sub-Committee who unanimously stated they were not interested in a privately operated venture at their meeting of November 9. The Sub-committee was clear in the desire not to pursue privately operated ventures with no public partnership. Big League Dreams is open to discuss contributing capital dollars (\$2M) but they require private operator terms. PRC concurred with this operating condition which was presented to Council in December 2004.

BLD were sent a proposal and responded stating that the proposal was too confining and would not meet their marketing performance and declined to submit a proposal at the time.

BLD was contacted in response to Council's direction to explore other options at the OSC. BLD responded by email on July 14, 2005 that they would be interested in discussing the possibility of working together to bring a Big League Dreams Sports Park to Morgan Hill. Email has been attached.



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

Agenda Item # 21

Prepared By:

**Community
Development
Director**

Submitted By:

City Manager

RESOLUTION ALLOWING FOR INCLUSION OF THE UNINCORPORATED PORTION OF HOLIDAY LAKES ESTATES WITHIN THE CITY'S URBAN SERVICE AREA

RECOMMENDED ACTION(S): By motion:

- (1) Adopt the attached resolution to allow for and request that LAFCO include the unincorporated portion of Holiday Lakes Estates (HLE) within the city's Urban Services Area (USA); and
- (2) Commit to provide, as matching funds to property owner funds, \$15,000 from the sewer fund to assist HLE property owners with costs associated with preparation of a preliminary engineering and assessment district formation study.

EXECUTIVE SUMMARY: There are about 200 parcels located within the unincorporated portion of HLE. All developed properties receive city water, and preliminary information indicates that over 70 are connected to the city sewer system and over 100 are on septic systems. The average age of the septic systems is over 30 years old, and the typical lifespan of a septic system is 30-40 years. There are significant constraints that usually preclude new or replacement septic systems due to inability to meet current standards, including proximity to Anderson Reservoir, small lots, steep slopes, and soil type. When septic systems fail, there are few options, and there is the potential that a home becomes uninhabitable in the event that connection to sewer is not possible.

Over the past few years, the City has accommodated certain owners need to connect to sewer (if home is located sufficiently close to sewer infrastructure) by submitting an Out-of-Agency Service request to LAFCO, which is necessary because unincorporated HLE is located outside of the USA, although within the city's Sphere. In February 2005, LAFCO indicated that it would not consider any further Out-of-Agency requests, and suggested that Morgan Hill request to amend the USA to include the HLE area. Once HLE is in the USA, the city rather than LAFCO would deal with new sewer connection requests.

Including the area within the USA would reflect a position by the City that it would be willing to annex the area and provide urban services. The City already provides water and serves over 70 homes with sewer, so even under existing conditions it makes sense for the area to be within the city's USA. Clearly, the most difficult matter to address, and the most expensive for the property owners, is how sewer services would be provided to lots currently on septic or vacant. This matter is being addressed by an interagency staff group working with HLE property owners. The group is comprised of representatives of Morgan Hill Planning and Public Works Departments, County Planning, County Environmental Health, the Water District, LAFCO and Supervisor Gage's office. This group has met with HLE property owner representatives, and is planning to hold an informational meeting for all HLE property owners in mid-September. The interagency effort is being conducted to assist the property owners in exploring options to septic, with the expectation that a sewer engineering and assessment district formation study would be completed, which would allow for the City to annex the area after property owners commit to fund extension of the sewer system. In November 2004, voters approved new Measure C language that allows for the HLE area to be annexed to the City.

FISCAL/RESOURCE IMPACT: The recommended action would create the potential that \$15,000 would be spent from the sewer fund (if property owners identify matching funds). Additionally, in kind technical assistance would be required from Public Works and Planning staff. This effort was identified as a Planning activity goal, but may represent a higher-than-anticipated level of effort by Public Works.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ALLOWING FOR THE INCLUSION OF THE UNINCORPORATED PORTION OF HOLIDAY LAKES ESTATES (UNIT 1) WITHIN THE CITY'S URBAN SERVICE AREA

WHEREAS, Chapter 18.78 of the Morgan Hill Municipal Code consists of Residential Development Control System (RDSCS) regulations, with a focus of these regulations being to ensure that residential development does not cause city population to exceed a ceiling of 48,000 persons as of January 2020; and

WHEREAS, Section 18.78.070 of the RDSCS regulations establishes restrictions on expansion of the city's Urban Service Area (USA), and provides that the City shall not support the addition of lands to the USA unless the amount of undeveloped, residentially developable land within the existing USA is insufficient to accommodate five years' worth of residential growth; or unless the area to be added meets criteria established for "desirable infill"; and

WHEREAS, Section 18.78.070 also provides that the future annexation of one or more of the Existing County Subdivisions identified in Section 18.78.030, including Holiday Lakes Estates Unit 1 which was provided with city water service prior to enactment of the RDSCS, did not have to meet the test for "desirable infill", in that these Subdivisions are already developed and already receiving some city services and it might be necessary to extend additional services to these areas; and

WHEREAS, the average age of the existing septic systems located within Holiday Lakes Estates Unit 1 is over 30 years old, and the typical lifespan of a septic system is 30 to 40 years. There are significant constraints that usually preclude new or replacement septic systems on lots within Holiday Lakes Estates Unit 1, due to inability to meet current septic system standards. Constraints include proximity to Anderson Reservoir, small lots, steep slopes, and soil type. When septic systems fail in this area there are few options available, and there exists the potential that certain home would become uninhabitable if connection to the city's sewer system is not possible; and

WHEREAS, an interagency staff group is currently working with Holiday Lakes Estates property owners to develop a strategy for how sewer services would be provided to lots currently on septic systems or vacant. The interagency group is comprised of representatives of Morgan Hill Planning and Public Works Departments, County Planning, County Environmental Health, the Water District, LAFCO and Supervisor Gage's office. This interagency effort is assisting with the property owners' exploration of options to septic, and it is expected that a sewer engineering and assessment district formation study will be prepared. Completion of the study and adoption of an assessment district or other approach to financing extension of sewer infrastructure will allow for the City to annex the area; and

WHEREAS, there is an existing Holiday Lakes Estates Unit 1 homeowners association (the “HEMA”) that is responsible for maintenance and repair of streets within Unit 1, and that HEMA will continue to exist on into the future, such that there is no expectation or requirement that the City of Morgan Hill will accept the streets as public streets in the future, and no expectation or requirement that the City of Morgan Hill would be responsible for maintenance and repair of the streets in the future; and

WHEREAS, the City Council of the City of Morgan Hill finds the inclusion of Holiday Lakes Estates Unit 1 within the city’s Urban Services Area is allowed under Section 18.78.070, and that the further extension of sewer services into the area is desirable in order to address public health and dwelling unit habitability issues; and

WHEREAS, when Holiday Lakes Estates property owners determine the approach(es) to funding and implementing extension of sewer infrastructure, the City of Morgan Hill is prepared to extend sewer service and is prepared to annex the area; and

WHEREAS, when Holiday Lakes Estates Unit 1 becomes annexed to the City of Morgan Hill, the City is prepared to extend police, recreation, development review services, and other existing city services to the area; although the existing HEMA will continue its responsibilities, including street repair and maintenance; and

WHEREAS, the City Council considered this Urban Service Area addition at its meeting of July 27, 2005, at which time the City Council approved submittal of this Urban Service Area Boundary Application USA 05-01: Holiday Lakes Estates, to the Local Agency Formation Commission (LAFCO); and

WHEREAS, testimony received at a public meeting, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council finds that the proposed inclusion of territory into the Urban Service Areas is consistent with the General Plan and with Chapter 18.87 of the Municipal Code, the Residential Density Control System.

SECTION 2. The City Council finds there is an existing Holiday Lakes Estates Unit 1 homeowners association (the “HEMA”) that is responsible for maintenance and repair of streets within Unit 1, and that HEMA will continue to exist on into the future, such that there is no expectation or requirement that the City of Morgan Hill will accept the streets as public streets in the future, and no expectation or requirement that the City of Morgan Hill would be responsible for maintenance and repair of the streets in the future; and

SECTION 3. The City Council of the City of Morgan Hill finds the inclusion of Holiday Lakes Estates Unit 1 within the city's Urban Services Area is allowed under Section 18.78.070, and that the further extension of sewer services into the area is desirable in order to address public health and dwelling unit habitability issues; and

SECTION 4. The City Council of the City of Morgan Hill finds that when Holiday Lakes Estates property owners determine the approach(es) to funding and implementing extension of sewer infrastructure, then City of Morgan Hill would be prepared to extend sewer service; and further that the City is prepared to annex the area, and when Holiday Lakes Estates Unit 1 becomes annexed to the City of Morgan Hill the City is prepared to extend police, recreation, development review services, and other existing city services to the area; although the existing HEMA will continue its responsibilities, including street repair and maintenance.

SECTION 5. It is hereby requested that the Local Agency Formation Commission consider readjustment of the Morgan Hill Urban Service boundary to include the area shown in the attached Exhibit A.

PASSED AND ADOPTED THIS 27th DAY OF JULY, 2005, AT A REGULAR MEETING OF THE CITY COUNCIL BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

CERTIFICATION

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. adopted by the City Council at the Regular Meeting on July 27, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



**CITY COUNCIL/REDEVELOPMENT
AGENCY STAFF REPORT MEETING**

DATE: July 27, 2005

**POLICY ISSUES RELATED TO RESIDENTIAL AND
COMMERCIAL DEVELOPMENT IN DOWNTOWN**

Agenda Item # 22

Approved By:

BAHS Director

Submitted By:

Executive Director

RECOMMENDED ACTION(S): Consider report from the Council Community and Economic Development Committee on approaches to encourage residential and commercial development in downtown and direct staff to take action as appropriate.

EXECUTIVE SUMMARY: For the past several meetings, the Council's Community and Economic Development (C&ED) committee has discussed policy issues related to commercial and residential development downtown. Specifically, the C&ED is recommending that the City Council consider the following issues/recommendations and direct staff as appropriate:

Impact of the Residential Development Control System (RDCS) on Downtown- The C&ED is concerned that downtown is at a key juncture in its life and that residential development is a key component of the revitalization of downtown. However, to have a significant impact on downtown, the residential units must be built within a short window of time as opposed to being spread out over a 5-10 year period as currently required under the RDCS. Two options discussed by the C&ED were: 1) request the City Attorney to provide an opinion as to whether units "advanced" from future years under the RDCS can be constructed as early as March 2007 or, 2) consider an initiative in November 2005 to amend the RDCS to allow for more units to be constructed in downtown sooner than what is allowed now. The C&ED will present their thoughts on this matter at the meeting including issues related to the downtown boundary and a smart growth overlay for such projects. If either option is pursued, the C&ED also recommends that "minimal" submission requirements be established for the downtown projects to reduce upfront costs to developers given the uncertainty regarding allocations for downtown units.

Loan Programs for Application Fees for RDCS and Impact Fees for Downtown Projects- The C&ED acknowledges that design and application fees can be an inhibitor to developers wanting to submit an RDCS application, especially given the uncertainty in receiving an allocation. The C&ED recommends the creation of a loan program to fund costs related to the submittal of an application. The C&ED also finds that City impact fees are probably an inhibitor to commercial development in downtown. The C&ED recommends the creation of a program to pay for such fees or consider ordinance revisions to minimize such fees. The terms and conditions of both loan programs would need to be developed.

Allocation of Funds for ED Activities- The C&ED recognizes that funding for the above programs is limited and has requested staff to estimate the available funding for ED activities thru FY07-08. Staff estimates that about \$2.5M is available for ED activities if one "zero outs" funding for specific programs and projects such as the Granada Theater and façade grant program. The C&ED recommends that it return to the Agency with funding recommendations including the use of the \$700,000 in "General Unallocated Funds" and the Soccer Complex funds of \$980,000 for various programs and projects as identified in the attached tables.

FISCAL IMPACT: Depends on the adopted action.



REDEVELOPMENT AGENCY

MEETING DATE: July 27, 2005

Agenda Item #23

Approved By:

BAHS Director

Submitted By:

Executive Director

Morgan Hill Downtown Association (MHDA) Funding Extension

RECOMMENDED ACTION(S): Authorize the Executive Director: 1) to negotiate, prepare, and execute an agreement with the MHDA in an amount not to exceed \$97,500, subject to Agency General Counsel approval and 2) amend the PBID loan to MHDA to allow MHDA to use the remaining loan proceeds for PBID formation activities in FY05-06.

EXECUTIVE SUMMARY:

From November 2001 thru FY04-05, the MHDA has received a total \$287,500 for its operation of a Main Street program for downtown. The first full year of operation was FY02-03. The initial premise was that after three years of Agency funding, MHDA would form an assessment district and become self-sufficient. One of the major undertakings of the MHDA in FY04-05, which is the last year of the three year period, was to form a property based improvement district (PBID) in downtown. Attached are a cover letter from MHDA summarizing its efforts to form a PBID, copies of PBID materials, proposed budget for FY05-06, accomplishments for FY04-05, and proposed workplan for FY05-06.

The MHDA states it was unable to secure the number of petition signatures needed to form a PBID by the end of the fiscal year. The formation process is very labor intensive, usually takes a year or more, and involves repeated involvement with business and property owners in the assessment area. The MHDA believes it was very close to obtaining the prerequisite number of signatures needed for the PBID petition and wants to re-group and re-launch its efforts in FY05-06 to form a PBID.

To facilitate this goal, the MHDA is requesting an additional year of funding in an amount of \$97,500 which is the same as last year. The MHDA is also requesting that the remaining PBID loan proceeds not used in FY04-05 (about \$10,000) be reallocated for PBID activities in FY05-06. The MHDA believes the bulk of the PBID work will still be applicable to the new effort. As you may recall, in September 2004, the Agency lent the MHDA an additional \$40,000 to engage a consultant to assist in the formation of a PBID. The MHDA has spent about \$30,000 for the formation process. The conditions of the initial loan was that half the loan would be forgiven if the PBID was formed and the other half would be repaid over a period subject to the Executive Director's discretion not to exceed five years. Failure to form a PBID would require the full repayment of funds subject to the same terms.

Staff is recommending approval of the funding and deferral of the PBID loan because this will be the downtown's "last chance" to create a self-funding organization, especially given the uncertainty regarding Agency funding in the future. If providing full funding for the MHDA proposal is a concern at this time, one option is for the Agency to consider approving funding for one quarter and direct the Council's Community & Economic Development Committee to work out the details with the MHDA and report back with a recommendation. The MHDA relies heavily on Agency funding for its operations and would not be able to maintain its operations thru the end of the quarter without such an arrangement.

FISCAL IMPACT: The BAHS FY 05-06 budget (Fund 317) allocated \$25,000 as interim funding for the MHDA until money from the assessment district was available and \$40,000 for the PBID assessments on City/Agency properties in the PBID boundary. The remaining \$32,500 can be absorbed within the existing BAHS ED programs budget.



CITY COUNCIL STAFF REPORT

MEETING DATE: July 27, 2005

APPOINTMENTS TO FILL VACANCIES ON THE ARCHITECTURAL REVIEW BOARD (ARB); LIBRARY, CULTURE & ARTS COMMISSION; MOBILE HOME RENT COMMISSION; AND PLANNING COMMISSION

RECOMMENDED ACTIONS: Consider, Discuss and Ratify Mayor's appointment to fill vacancies on the ARB; Library Culture & Arts Commission; Mobile Home Rent Commission and Planning Commission

EXECUTIVE SUMMARY:

On July 6, 2005, the City Council agreed to proceed with the Mayor's fundamental principles for a recruitment, interview and appointment process. The Council also agreed to discuss the characteristics it is looking for in candidates before proceeding with the interviews.

At the July 20, 2005 City Council meeting, the Council identified the following characteristics it is looking for in applicants willing to fill vacancies on boards and commission, particularly the planning commission: incumbents to file a completed application for reappointment and be prepared to interview and state reasons why they should be considered for reappointment; good listening skills and ability to extend courtesy/attention to project proponents/citizens; basic knowledge, familiarity and/or opinion with the City's General Plan, Measure C and planning issues; ability to roll up sleeves, working toward reaching consensus and getting the work done; recognize that they are advisors to the Council and that the Council looks toward boards and commission for assistance in the decision making process; ability to work as a unified group and not pursue individual actions/interests; ability to bring neighborhood issues forward to the Council; have a vision for the future of Morgan Hill, and be involved in the community.

Other characteristics identified: It was noted that the Library Commission has been expanded to include culture and arts. Mayor Pro Tempore Tate recommended that the Council fill vacancies on the Library, Culture and Arts Commission with individuals who can assist with these new areas. This commission to focus on: funding partnerships; play a greater role in the construction of the new library; identify ways the new library can interact with schools; and what library services are to be provided.

Mobile Home Rent Commission serves as a quasi-judicial body relating to disputes arising from the City's rent control ordinance. Candidates for this Commission should possess a good perspective on mobile home issues and have the ability to balance the facts.

On July 20, 2005, the City Council conducted interviews in the following order:

Planning Commission: Geno Acevedo, Kyle Baker, Robert Benich, Mike Davenport, and Mike Miramontes. Lee Schmidt did not interview.

Library, Culture & Arts Commission: Sylvia Cook.

Mobile Home Rent Commission: Swanee Edward, Eric Gould, and Gloria Subocz (applicants for the citizen at large vacancy) and Robert Koehler (owner/representative vacancy).

Following the interviews, the Council identified individual candidates of choice. Mayor Kennedy to return to the Council on July 27 with recommended appointments to these boards and commission. Mayor Kennedy is still taking the Council's recommended appointments under advisement. He will present his recommendation at or prior to the July 27 Council meeting.

FISCAL IMPACT: The time necessary to prepare this report is accommodated in the Council Services and Records Manager's operating budget.

Agenda Item #24

Prepared By:

**Council Services &
Records Manager/
City Clerk**

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: *July 27, 2005*

PROPERTY TAX ADMINISTRATION GRANT PROGRAM (PTAP)

RECOMMENDED ACTION: Authorize A Letter be Sent to State Legislators Urging Restoration of the Property Tax Administration Grant Program.

Agenda Item # 25

Prepared/Approved By:

Council Services & Records Manager

Submitted By:

**City Manager/
Executive Director**

EXECUTIVE SUMMARY:

Mayor Kennedy is in receipt of a letter from Lawrence E. Stone, Santa Clara County Assessor, advising that with the State budget compromise signed the week of July 5, 2005, it eliminated a major source of funding for the local administration of the property tax system. This compromise eliminated the Property Tax Administration Grant Program (PTAP) from the State budget, resulting in an estimated reduction of \$4.2 million of annual assistance to Santa Clara County. Mr. Stone's letter indicates that the Department of Finance has provided \$36.4 million to Santa Clara County over the last 9 years. This funding source reduced backlogs and improved property tax administration, resulting in over \$465.5 million in property tax revenue generation. It is indicated that the rationale justifying the elimination of the PTAP was to accelerate repayment of the Vehicle License Fee (VLF) loan as part of the budget compromise.

Mr. Stone states that without the PTAP funding, the Santa Clara County Assessors Office will need to reduce staffing levels as was done in the early 1990s and will include other significant impacts on the efficient operations of the Assessor's Office that will affect many local jurisdictions (e.g., changes in ownership and parcel map processing will not be enrolled timely, resulting in delayed tax bills; delayed collection of property taxes; services will focus on only those required to generate the annual assessment roll; lack of funding will grow exponentially every year, impacting the reliability of the property tax system, ultimately impacting local community's bonding capacity.)

Mr. Stone is requesting that local jurisdictions immediately contact the Governor and local State Senators or Assembly Members, urging them to restore the PTAP as a trailer bill is expected soon that would accomplish this objective. Typically, these types of requests are referred to the City Council's Public Safety and Community Services Committee (formerly the Legislative Committee). This Committee is planning to meet the first week in August. Due to the urgency of this matter, Mayor Kennedy is recommending that the Council authorize a letter be drafted in support of retaining PTAP funding.

FISCAL IMPACT: Preparation of this staff report is accommodated in the Council Services & Records Manager's operating budget.